Annual Report and Statement of Accounts

2019/20 – 29 July 2020

MAYOR OF LONDON

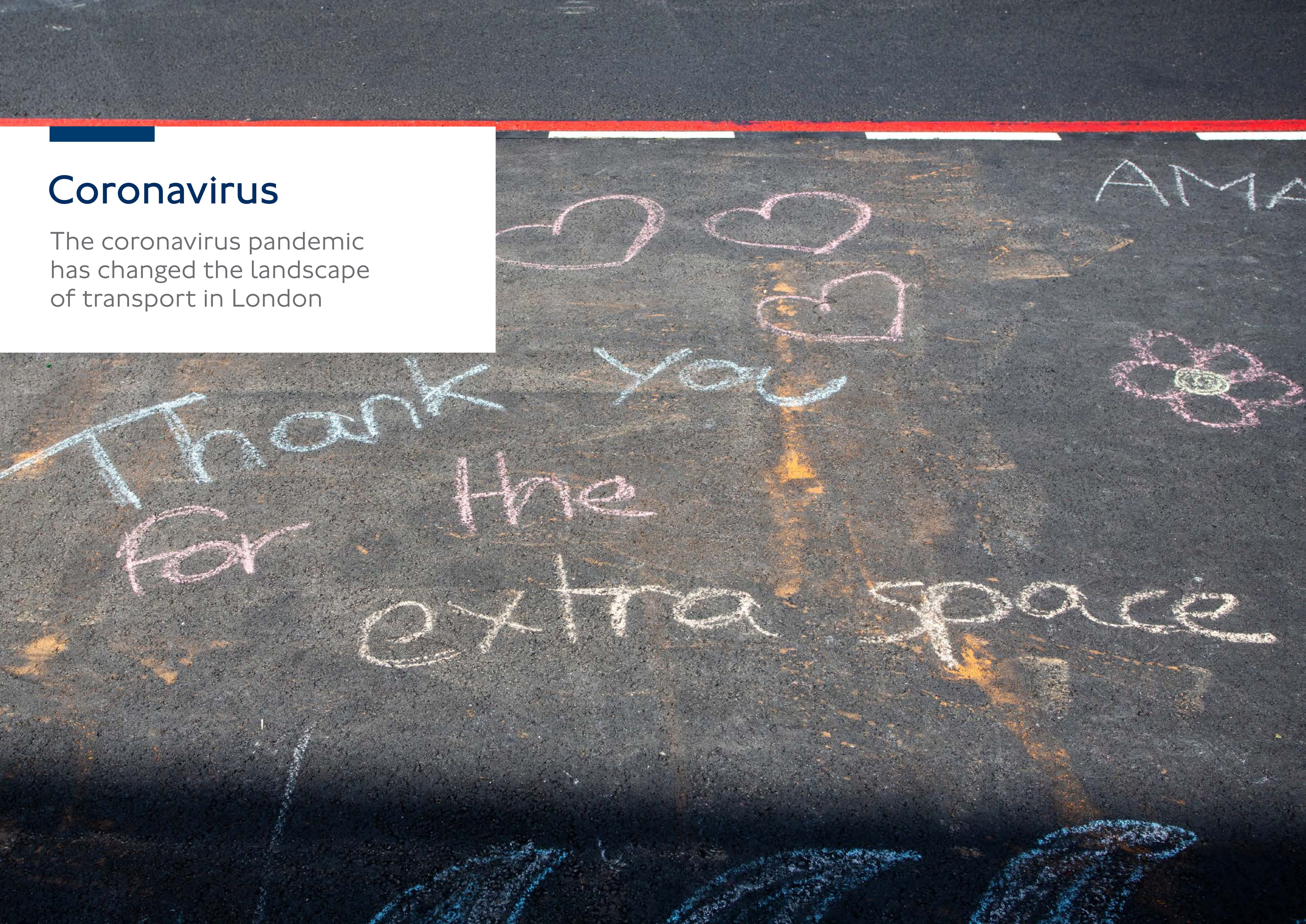
TRANSPORT FOR LONDON
EVERY JOURNEY MATTERS

Contents

Where you see this icon we have highlighted a milestone in delivering better transport over the 20 year history of Transport for London.

Coronavirus

The coronavirus pandemic has changed the landscape of transport in London



Streetspace gives more space for Londoners to walk and cycle in London

We have tragically lost 44 colleagues to COVID-19, and our thoughts are with their family, friends and colleagues. From the very start of this crisis, we have worked tirelessly to make using our network as safe as possible for our customers, staff and contractors, while following advice from the Government. Nothing is more important to us.

In mid-March, the country was asked to stay at home and only leave the house for essential journeys, and we used every communication channel at our disposal to promote this message. Within a short timeframe, we saw a 95 per cent reduction of passengers using the Tube and rail services and an 85 per cent reduction of passengers on London Buses. Our focus was on providing transport for NHS and key workers while also dealing with absences among our own staff due to shielding, self-isolation and illness.

As restrictions on travel were gradually eased by Government, we worked extremely hard to restore our services to pre-pandemic service levels as quickly as possible, while making major changes to the network to enable social distancing.

In addition, we have recently introduced new walking and cycling facilities via the Mayor's Streetspace for London plan.

Our response to the coronavirus pandemic has been set out at public sessions of the Transport for London (TfL) Board and its panels and committees, through continued scrutiny from the London Assembly and through extensive public communication. We reached an initial financial agreement with the Government on 15 May 2020 following the unprecedented fall in our revenues caused by COVID-19.

Next year's Annual Report will provide more detail on this and the impact on our business. It will also describe what has been done to make our network safe for those who have no alternative but to use public transport. We will share how we have navigated supporting London's recovery that is happening at the time of this report's publication.

The stories and achievements outlined in this year's Annual Report reflect the period before the coronavirus pandemic and do not include changes that might have taken place since the end of March 2020.

20 years of serving London

As TfL turns 20, we look back at some key events in transforming London's transport

TRANSPORT FOR LONDON
EVERY JOURNEY MATTERS

2000

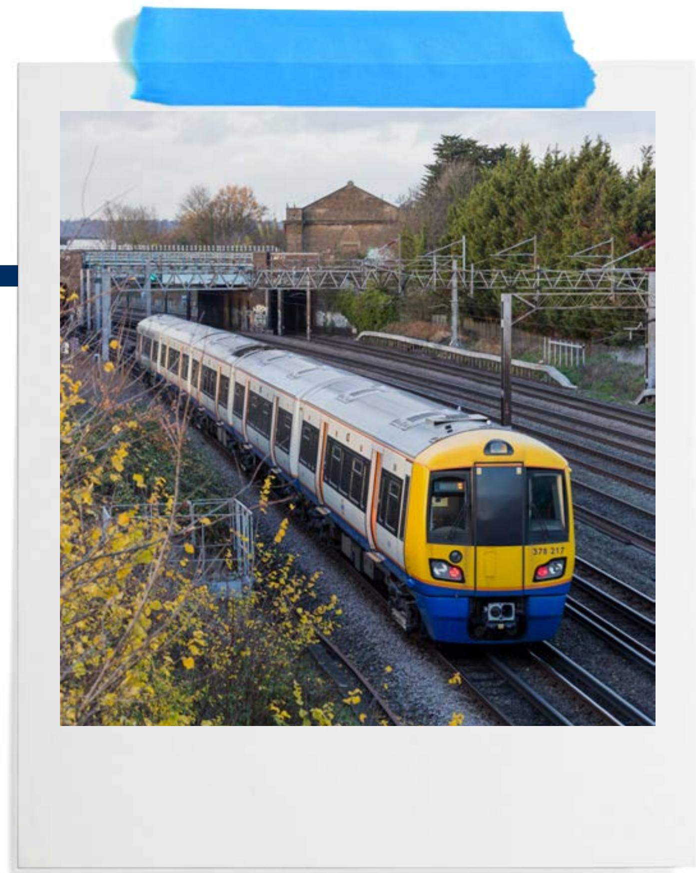
- Transport for London (TfL) is created on 3 July 2000 as the new transport authority for London. We become responsible for London Buses, Croydon Tramlink (London Trams), the Docklands Light Railway (the DLR), London River Services, Victoria Coach Station, Street management and the Public Carriage Office (Taxi and Private Hire)

2001

- The first Mayor's Transport Strategy is published focusing on reducing the number of casualties on London's roads
- The London Road Safety Plan is launched with targets to reduce the number of people killed or seriously injured on roads by 40 per cent over 10 years (57 per cent reduction achieved)
- We assume responsibility for the licensing of private hire operators, becoming the largest licensing authority in the country

2003

- London Underground becomes part of TfL in July 2003. A plan to upgrade and improve reliability on the Tube, expand the most crowded stations and introduce step-free access is published
- The Oyster card is launched, enabling people to navigate London without a paper ticket
- Congestion Charge is introduced, helping to reduce high traffic flow and minimise air and noise pollution in the central London area and raise investment funds for London's transport system



2005

- London wins its bid to host the 2012 Olympic and Paralympic Games
- On 7 July, 52 people were killed and 782 injured in one of the worst terror attacks in Britain's history. Our staff are able to get the transport network working again quickly. The bus network was running through central London the same day and 85 per cent of the Tube network – with the exception of the bombed sections – was running the next morning

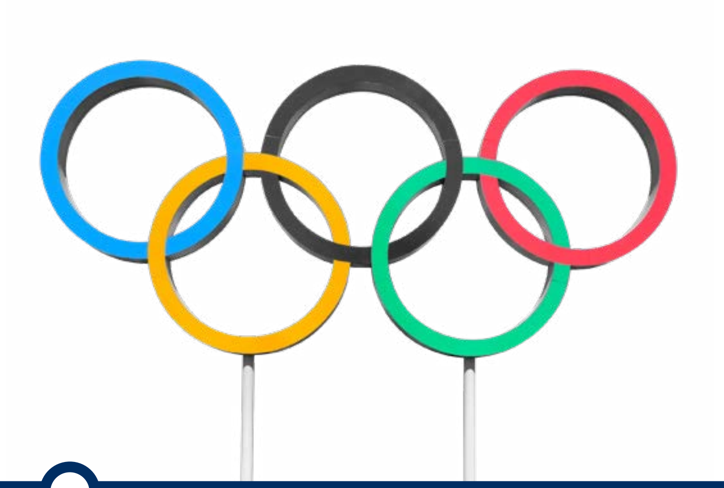
OVERGROUND

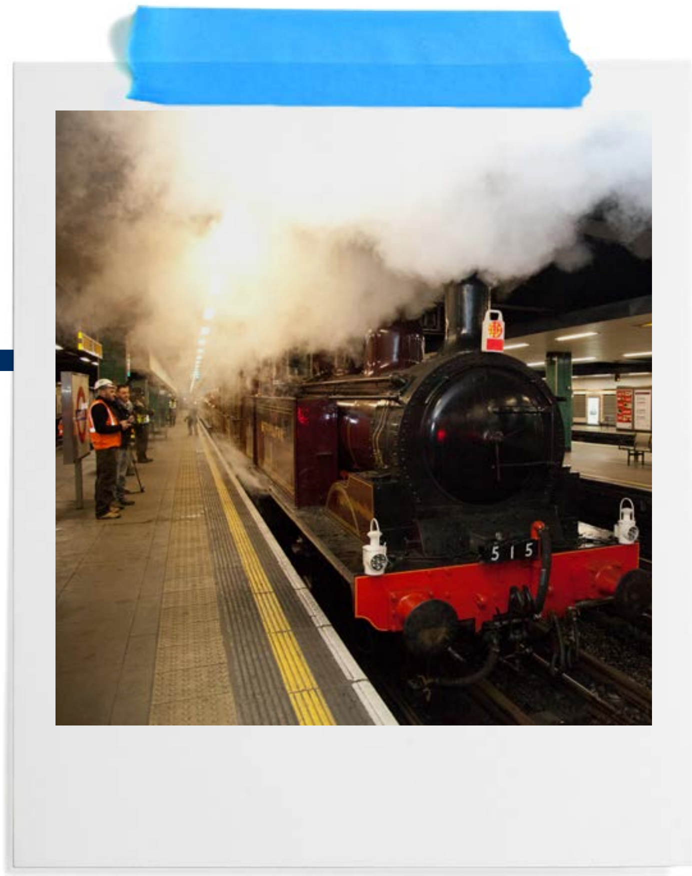
2007

- London Overground is launched and runs 400 trains per day
- The Tube carries one billion passengers in a single year for the first time
- We become an early adopter of the Open Data initiative, providing free open data to the public and actively encouraging the use of data by third-party developers

2010

- London's first cycle hire scheme is launched with 5,000 cycles and 315 docking stations across the City of London and eight London boroughs
- The first S-stock trains come into service on the Metropolitan line and are the first trains on the network to be walk-through and have air conditioning





2012

- London hosts the 2012 Olympic and Paralympic Games from July to September. On 7 August, the day Great Britain reached its 48-medal target, more than 4.5 million customers travelled on the Tube

2013

- London marks the 150th anniversary of London Underground. Along with the London Transport Museum, we run steam trains along routes of the original London Underground, which opened in 1863
- Turner Prize winning artist Mark Wallinger creates Labyrinth – a multi-part work installed in every one of the Tube's 270 stations

2014

- We launch new live travel data, bringing together information about all transport modes. This is used more than 250 million times in the first year
- Contactless payment options are extended beyond use on buses and accepted on the Tube, London Trams, the DLR, London Overground and some National Rail stations where Oyster card is accepted

2016

- Night Tube is launched in August, enabling all-night travel on Friday and Saturday nights. Around 7.8 million customers use it in the first year, boosting London's economy by £171m
- The Mayor's Hopper fare begins, with unlimited journeys on London's bus and tram network within one hour now costing £1.50

- On 9 November, tragically seven people were killed and more than 50 injured after a derailment at Sandilands tram stop in south London. We focused on preventing this type of incident ever happening again and a number of safety measures were put in place following recommendations from the RAIB (Rail Accident Investigation Branch). This included retrofitting emergency lighting on every tram and installing automatic braking systems to be rolled out to the whole fleet

2018

- The latest Mayor's Transport Strategy is published, including the ambition that 80 per cent of all journeys should be made by walking and cycling or by public transport by 2041
- The Vision Zero action plan is published, setting out the Mayor's plans to reduce the number of deaths and serious injuries on London's road and transport network to zero by 2041

2019

- To tackle poor air quality, the Ultra Low Emission Zone (ULEZ) begins in April. Vehicles that do not meet minimum standards must pay a daily charge to drive in the Congestion Charge zone
- The Direct Vision Standard is launched in October, aiming to stop heavy goods vehicle's (HGV) blind spots that can cause death and serious injury. HGVs must meet the minimum rating of the standard before they can operate in London

Making every journey matter

‘We have continued to work to deliver the Mayor’s Transport Strategy, with Healthy Streets and healthy people being at the heart of what we do. We have launched the Ultra Low Emission Zone and increased our cycling infrastructure’

Alex Williams,
Director of City Planning

Mayor’s message

By ensuring a sustainable recovery from the pandemic, we will also tackle London’s toxic air

Transport for London (TfL) celebrates its 20th anniversary this year. I am grateful for London’s transport workers who have been delivering the significant improvements we’ve seen to travel in that time.

Sadly, at the time of writing, we know that 44 of our transport colleagues from TfL and its partner organisations have died from COVID-19, including six who worked directly for TfL. As Mayor, I want to pay tribute to them for their service and express my heartfelt condolences to their loved ones. The safety of TfL employees, colleagues and commuters remains a top priority and we will continue to do all we can to protect their health.

Colleagues continue to work incredibly hard to deliver an exemplar transport system. In 2019 we introduced the Ultra Low Emission Zone (ULEZ) and completed 12 Low Emission Bus Zones, helping to transform our air quality. To help us reach Vision Zero – my aim to eliminate deaths and serious injury on London’s transport and road network – 20mph speed limits have been extended to roads across central London. This year saw the introduction of the 4G network on the eastern part of the Jubilee line, meaning customers can enjoy digital connectivity on the Tube. TfL Rail services were introduced between Paddington and Reading, bringing increased frequency and capacity to customers. Progress has also been made to ensure the transport network is more accessible, with more Tube stations now having step-free access, and work underway for more.

The coronavirus outbreak and the need for lockdown has inevitably had huge consequences for TfL’s revenue, with fares income falling by 90 per cent. Prior to the coronavirus outbreak, we had made huge progress putting TfL’s finances on a stronger footing. In the last four years, we managed to reduce the operating deficit by 71 per cent on a like-for-like basis and to increase cash reserves by 16 per cent, at the same time as freezing fares. There is no doubt that as a result of the action we took, TfL’s finances were in a much better position to cope with a sudden reduction in revenue.

It is against this backdrop that I’d like to place on record my gratitude to Mike Brown for everything he has done for the Capital since starting at TfL in 1989. I wish him the best of luck in his new role. I am delighted to welcome Andy Byford as London’s new Transport Commissioner. Andy brings with him a wealth of experience and expertise to lead TfL during this unprecedented time.

This pandemic has highlighted how critical an affordable and accessible transport network is to London. I am determined to make sure that the progress we have made – including that outlined in this report – towards a better, greener, safer and more sustainable transport system is not lost, but continued in the years ahead.

‘The safety of TfL employees, colleagues and commuters remains a top priority and we will continue to do all we can to protect their health.’

Sadiq Khan
Mayor of London

Commissioner’s foreword

London’s transport network is fundamental to the health of the Capital

I begin this Annual Report paying tribute to our colleagues who have tragically died from coronavirus. I am devastated by the loss of life across our city and the UK, and all our thoughts and condolences are with their families and loved ones.

Our people have risen to this challenge determined to play their part in the national effort to defeat coronavirus. Transport workers have been on the frontline throughout the pandemic and have heroically enabled key workers to get to work so they could carry out critical roles and indeed help save lives.

The safety of our people and customers remains paramount. Working alongside our suppliers and Trade Union partners, we have put in place measures to protect staff and customers from installing protective screens for bus drivers, to implementing a rigorous new cleaning regime.

Prior to the pandemic, we opened several new Cycleways and celebrated 10 years of cycle hire. We also unveiled new electric trains on the London Overground, introduced more electric buses on routes across London and launched the world’s first Ultra Low Emission Zone.

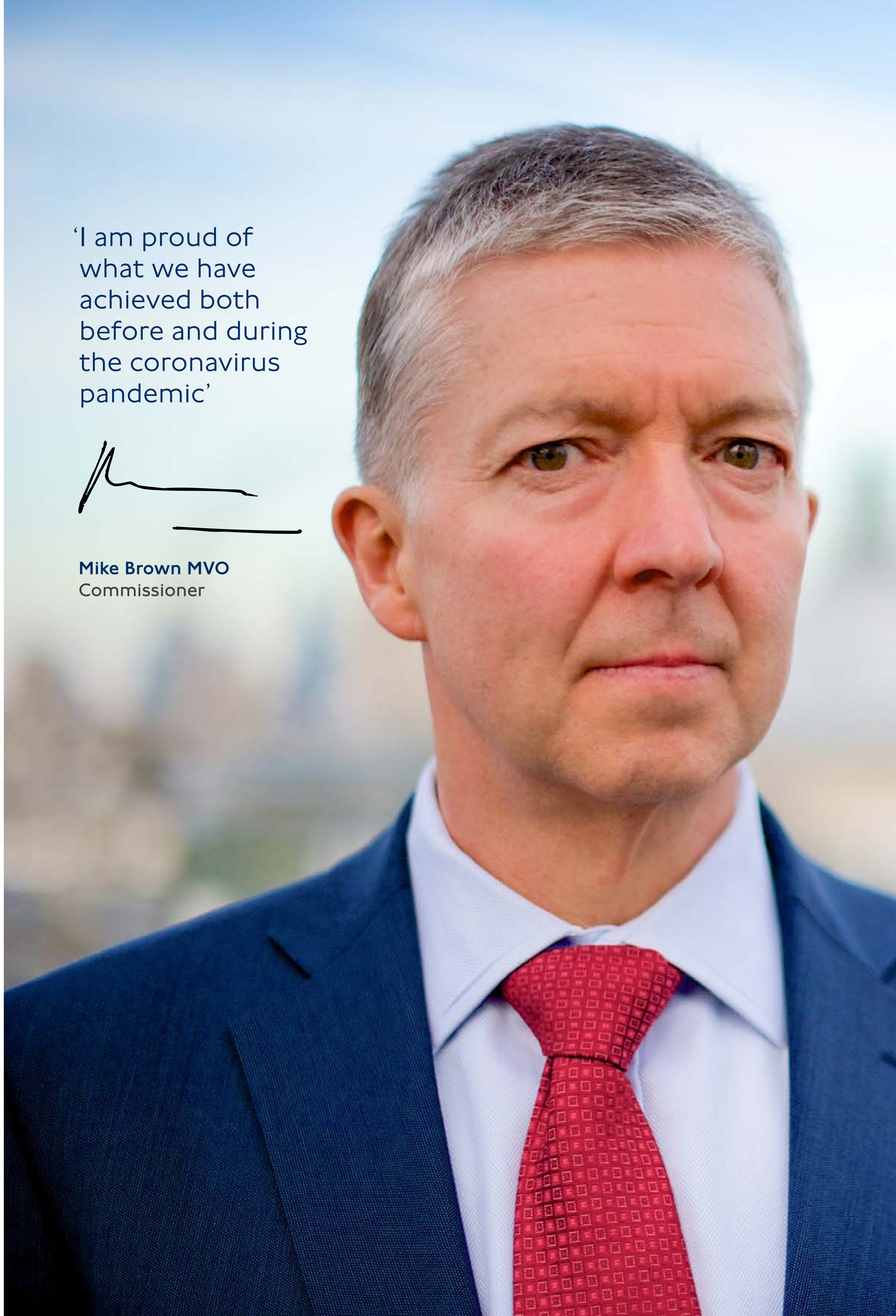
We are now at the forefront of London’s recovery. Services are running at pre-pandemic levels and we have reallocated more than 12,000 square metres of highway for cycling and walking. In line with Government advice, we have reconfigured our network to help maintain social distancing and encourage customers to avoid the busiest peak times. Without the hard work and dedication of our staff, this would not be possible. Thank you.

There are many challenges ahead, not least securing the sustainable funding model that London needs. It is important to note that before the coronavirus pandemic, we had improved our financial resilience by reducing our net cost of operations by more than £1 billion since 2015/16.

However with the huge reduction in our revenues caused by the pandemic, it is clear that a new financial settlement is needed to adapt to the realities we face.

My successor is now in place – Andy Byford – who joins at a pivotal moment for London. His experience and track record will provide invaluable leadership as we help to support the Capital’s recovery in a safe and sustainable way. He inherits an excellent Chief Finance Officer in Simon Kilonback, as well as a first-class executive team across the organisation.

I am incredibly proud of what we have achieved in recent years. I am honoured to have led an amazing organisation, with so many extraordinary people, from those working in front line roles every day to the brilliant people in our professional service team. Thank you for serving London.



‘I am proud of what we have achieved both before and during the coronavirus pandemic’

Mike Brown MVO
Commissioner

Chief Finance Officer foreword

Running services efficiently and effectively will help London's economic recovery

We have delivered transformational improvements in efficiency and improved our financial resilience in response to the challenges we faced before the coronavirus pandemic. We managed our finances prudently, having reduced our net cost of operations by more than £1 billion since 2015/16 on a like-for-like basis (excluding the Government grant we used to receive) and were on course to achieve an operating surplus by 2022/23. Before 2015/16, our operating costs had increased year on year.

Our operating businesses have increased productivity: the cost per km operated on the Tube has reduced by 21 per cent since 2010 and on buses the cost per operated km has only increased in line with inflation – despite making significant improvements to reliability, safety and air quality.

We achieved 82 per cent against our 2019/20 scorecard, adjusting for the impact of the coronavirus pandemic on our net operating surplus, which we were otherwise on track to achieve. We also showed good progress on our people and customer measures.

The coronavirus pandemic has presented the greatest financial challenge to date. By encouraging people to stay at home and to stop using public transport, we reduced Tube journeys by 95 per cent and bus journeys by 85 per cent. This had a catastrophic effect on our income – losing more than £80m in fares each week, despite still incurring the costs of running our network to serve the needs of Londoners.

Unlike most transport authorities around the world, the majority of our income is made up of fares – approximately 80 per cent, compared to 38 per cent in New York's MTA and 47 per cent in Madrid's transport system. This meant the Government support package was critical to preventing our network being shut down.

This funding model is not sustainable given we may face a structural shift in how people travel in London in the future and demand returning to our services may be slow. To continue the investment required in our assets and infrastructure, we will need a more sustainable and longer-term funding solution, which is not solely dependent on our public transport users.

Simon Kilonback
Chief Finance Officer

TfL derives around 80 per cent of its income from fares

Our customers have been asked to wear face coverings while travelling

Cutting our costs

Before the coronavirus pandemic began, we had successfully reduced our operating costs each year for last four years

The effects of the pandemic on our finances started to be felt in March 2020, toward the end of the 2019/20 financial year. The full financial impact of the coronavirus pandemic was quickly realised. It costs £600m a month to operate the network, whilst the reduction in ridership led to lost revenue of over £80m a week.

Before the coronavirus pandemic, we were on track to further reduce our net cost of operations to around £200m* by the end of 2019/20. However, the impact of coronavirus in 2019/20 was around £220m, largely made up of lost revenue but also some additional coronavirus-specific costs – meaning that our deficit increased to £423m.*

Even including these impacts, we have reduced our net cost of operations by more than £1bn between 2015/16 and 2019/20. On a like-for-like basis, our costs have reduced by £200m compared to in 2015/16. We have reduced our reliance on non-permanent labour, decreasing it by 57 per cent since 2015, saving £3.5m every week.

We have had to make tough choices on our capital programme due to a lack of certainty around accessing sustainable funding. These choices have saved nearly £4bn since 2017/18. Our average annual capital investment required to maintain existing performance on our transport network is £1.4bn (in 2019 prices). This is without completing any line upgrades, enhancements, or line extensions.

We have had to make quick decisions to keep staff and customers safe. These decisions, which included fundamental changes to the operation of the public transport network and roads, saved lives

We have had to make quick decisions to keep staff and customers safe. These decisions, which included fundamental changes to the operation of the public transport network and roads, saved lives. They were made in the context of an already challenging economic climate where we did not receive any direct subsidy from central Government for day-to-day operations.

* These figures are reported on a management reporting basis of calculation (see note 2 to the financial statements)

Advancing Crossrail

We are working to bring the Elizabeth line into passenger service at the earliest possible date

A new plan to complete the outstanding works and bring the Elizabeth line into passenger service at the earliest possible date was developed by the new Crossrail leadership team and agreed by the Crossrail Ltd Board in April 2019.

The team identified a new plan to put Europe's most ambitious and complex infrastructure project back on track. The plan required identifying and re-sequencing over 100,000 interdependent tasks and took account of the remaining work to open the railway.

In March 2020, non-essential physical works on Crossrail and dynamic testing of train and signalling systems were temporarily paused as part of the 'safe stop' to construction due to coronavirus.

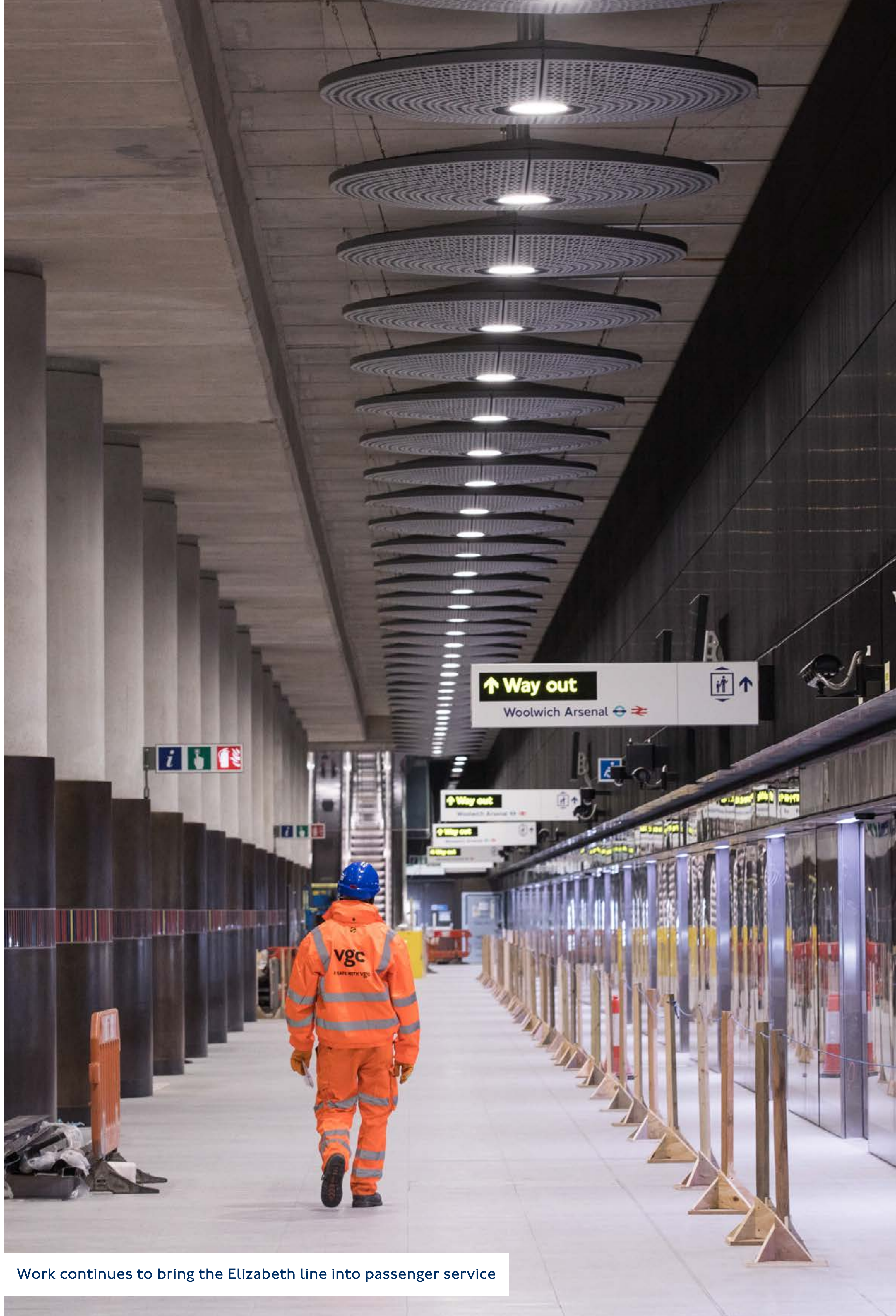
During lockdown, essential and business-critical work continued on the project, supported by those in Crossrail Ltd and its supply chain who were working remotely.

Crossrail Ltd has also progressed vital assurance and safety verification required before the Elizabeth line can open. Since April, these tasks have been assisted by small teams of engineers who are conducting assurance verification and validation work at the central station sites.

> All Crossrail Ltd sites continue to observe social distancing protocols with the numbers of people at each location strictly limited at all times

In line with Government guidance, physical works on the project has now resumed. All Crossrail Ltd sites continue to observe social distancing protocols with the numbers of people at each location strictly limited at all times.

Crossrail Ltd is working extremely hard to make sure that the programme is ready to start intensive operational testing, known as Trial Running, at the earliest opportunity and continues to make good progress in support of this. Completed shafts and portals are also now being handed over to us.



Work continues to bring the Elizabeth line into passenger service

Our scorecard

Long-term objective / Outcome	2019/20 scorecard measure*	2019/20 result	2019/20 target	Category
Healthy Streets and healthy people (12.5%)				Safety and operations (25%)
London's streets will be safe and secure	Reduction in people killed or seriously injured on the roads from	38.1% reduction from 2005-09 baseline (103 fewer than 2018)	42.3% reduction from 2005-09 baseline (371 fewer than last year)	
	Reduction in people killed or seriously injured on roads from 2005-09 baseline – incidents involving buses (%)	62.7% reduction from 2005-09 baseline (20 fewer than 2018)	58.7% reduction from 2005-09 baseline (no more people than 2018)	
London's streets will be clean and green	Number of London buses that are Euro VI compliant	8,400	8,350	
London's streets will be used more efficiently and have less traffic	Traffic signal changes to support Healthy Streets (person hours per day)	17,500	15,000	
More people will travel actively in London	Healthy Streets check for designers (average % uplift)	13	10	
A good public transport experience (30%)				
Public transport will be safe, affordable and accessible to all	Reduction in customers and workforce killed and seriously injured (%) (compared to 2018/19)	1.7% reduction (38 fewer)	2.5% reduction (108 fewer)	
	Additional time to make step-free journeys (minutes)	8.8	8.3	
Journeys by public transport will be fast and reliable	Tube excess journey time (minutes)	4.92	4.49	
	Weighted bus customer journey times (minutes)	32.2	33.5	
	Customer satisfaction – percentage of Londoners who agree we care about our customers (%)	53	53	Customers (25%)
The public transport network will meet the needs of a growing London	Deliver key investment milestones (%)	87	90	
	Start of TfL Rail/Elizabeth line services between Paddington and Reading	December 2019	December 2019	

* Our scorecard provides a benchmark for our achievements throughout 2019/20 and the targets were set before the impact of the coronavirus pandemic was known

Long-term objective / Outcome	2019/20 scorecard measure*	2019/20 result	2019/20 target	Category
New homes and jobs (2.5%)				Customers (continued)
Transport investment will unlock the delivery of new homes and jobs	The cumulative percentage of affordable homes on TfL land with planning applications submitted-post May 2016 (%)	52	50	
Mode share (5%)				
80 per cent of trips will be made by active, efficient and sustainable modes by 2041	Public transport trips (millions)	3,867	3,967	
	Average kilometres cycled per day (thousands)[3]	535	540	
People (25%)				People (25%)
A capable and engaged workforce representative of London	Workforce representativeness - all staff (%) - director/band 5 (%)	71.2 40	70.9 38.3	
	Inclusion index (%)	47	46	
	Total engagement (%)	57	57	
Financial (25%)				Financial (25%)
We are prudent and cover our costs	Net operating surplus (£m)[2]	£464m	£625m	
	Investment programme (£m)	£1,533m	£1,679m	

* Our scorecard provides a benchmark for our achievements throughout 2019/20 and the targets were set before the impact of the coronavirus pandemic was known

Year at a glance

April 2019
Ultra Low Emission Zone
World's first Ultra Low Emission Zone launched in central London.

May 2019
New London Overground trains
New Class 710 electric trains enter service on Gospel Oak to Barking line.

June 2019
Celebrating Pride in London
#EveryStoryMatters campaign launched with new Bi Pride roundel and updated Rainbow Pride roundel to represent LGBT+ Londoners of all races and backgrounds.

July 2019
Taxis going green
All 1,250 payments of £10,000 for taxi drivers who were ditching older, more polluting cabs were allocated.


August 2019
White Hart Lane re-opens
With a new design and now fully accessible, White Hart Lane station re-opened.

September 2019
Bus safety trials
Five new safety innovations trialled on London Buses.

October 2019
Direct Vision Standard
World-leading Direct Vision Standard launched to remove the most dangerous heavy goods vehicles from London roads.

November 2019
Passenger Pier Strategy published
The Strategy aims to double the number of trips on the Thames and encourage sustainable travel.

December 2019
TfL Rail services extended
Services begin operating between London Paddington and Reading as the next step in the delivery of the Elizabeth line.

January 2020
PICARDilly Circus
Piccadilly Circus was temporarily turned into PICARDilly Circus for the launch of Amazon Prime Video's Star Trek Picard.

February 2020
10 years of Cycle Hire in London
A competition to rename 11 Santander Cycles is part of the celebration of the 10th year of Cycle Hire in London.

March 2020
Royal visit for TfL20
HRH The Prince of Wales and HRH The Duchess of Cornwall visited the London Transport Museum for TfL20.

Safety

'We recognise that every life is precious and we are committed to working towards a zero harm and zero carbon city'

Lilli Matson
Chief Safety, Health and Environment Officer

Bus safety innovation

Reducing driver fatigue is key to improving London Bus safety

Bus safety study

Bus driver fatigue is a key safety concern. In August we set out measures to tackle this, publishing a ground-breaking study showing one in five bus drivers experiences fatigue-related issues more than once a week while driving, supporting Unite the Union's concerns around fatigue. Tackling driver fatigue supports the Vision Zero action plan's aim to reduce the number of deaths and serious injuries on or caused by London's buses to zero by 2030.

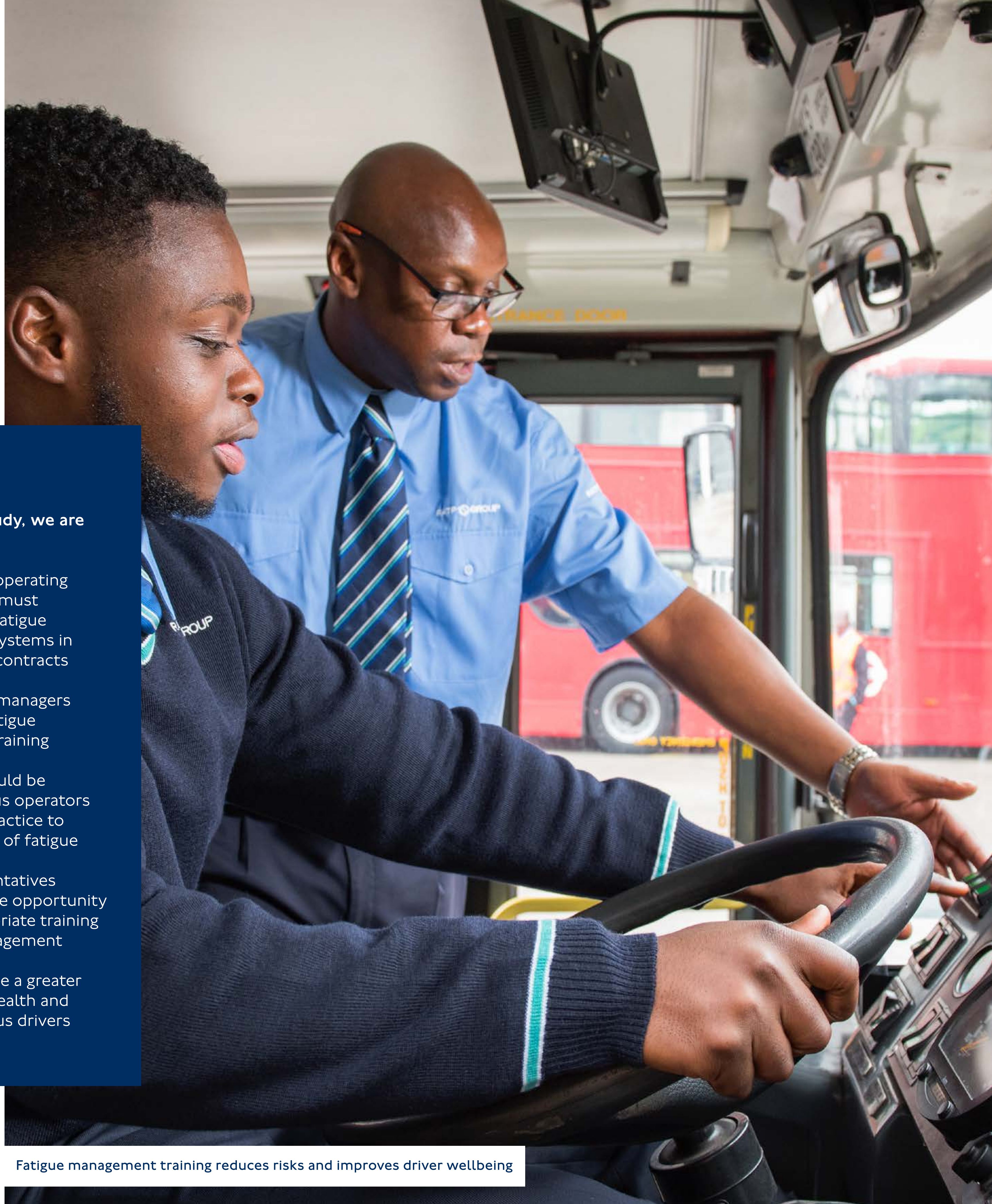
The study found that drivers' health and wellbeing is key, with adequate welfare facilities reducing stress, which in turn reduces risk of fatigue. We are already committed to improving driver welfare, for example, by ensuring all routes have driver toilets available throughout operational hours.

We are also creating a new £500,000 fund for bus operators to investigate a range of pioneering solutions to the problem. This fund is intended not just for trialling new technology but to come up with innovative solutions to change the safety culture within bus garages and increase the focus on driver health and wellbeing.

In September, we announced five new safety innovation trials for London Buses. Based on the results of the Bus Safety Innovation Challenge, these five cutting-edge technologies are a result of pairing bus operators with innovative developers to come up with solutions to road danger that complement the Bus Safety Standard.

Based on the study, we are requiring that:

- Any company operating London buses must have rigorous fatigue management systems in place for new contracts
- All bus garage managers should have fatigue management training
- All rosters should be reviewed by bus operators against best practice to reduce the risk of fatigue
- Driver representatives should have the opportunity to have appropriate training in fatigue management
- There should be a greater focus on the health and wellbeing of bus drivers



Fatigue management training reduces risks and improves driver wellbeing

Technology and innovation makes buses safer on the roads

Over the past decade the number of people killed or seriously injured as a result of a collision involving a bus or coach has decreased by 54 per cent. We also recognise that more needs to be done to eliminate fatalities and serious injuries altogether to achieve Vision Zero.

Successful innovations will be assessed for introduction to the world-leading Bus Safety Standard. The standard sets out requirements for buses entering the fleet and also which technologies should be retrofitted to existing London Buses to improve safety.

10
TfL Bus Safety Programme work streams

5
safety innovation trials funded by us

'Our Bus Safety Standard is resulting in safer buses arriving in London this year, and this fund will harness the power of innovators – ensuring it complements our standard – helping to make deaths and serious injuries on our roads a thing of the past'

Claire Mann
Director of Bus Operations

The five safety innovation trials are:

- Datik fatigue monitoring tool that calculates risk of fatigue in real time (trialled by Abellio)
- Humanising Autonomy vulnerable road user intent software that analyses people walking or cycling near a bus, to anticipate their behaviour and alert the driver (trialled by Arriva)
- Lytx Video-based driver safety coaching programme that uses clips of actual incidents to provide an opportunity to share learning (this is trialled by CT Plus)
- JBDL lighting system to illuminate areas of greater risk around buses to other road users (this is being trialled by Metroline)
- Fusion Processing pedestrian and cyclist detection, and driver alert system that detects vulnerable road users faster than a human can (currently trialled by Stagecoach)

Mayor Sadiq Khan and Walking and Cycling Commissioner Will Norman

The new Direct Vision Standard will improve road safety in London

Direct Vision for London

The first lorry safety scheme of its kind launched in October, giving London's HGV fleet operators more than 12 months to upgrade to the standard required to continue to operate in London.

The Direct Vision Standard tackles road danger by minimising driver blind spots in HGVs. The star system rates HGVs more than 12 tonnes from zero (the lowest) to five (the highest). HGVs will need to meet a minimum 'one-star' rating when enforcement begins or to fit 'Safe System' measures to improve the vehicle's safety. HGVs are disproportionately involved in fatal collisions, accounting for 63 per cent of fatal collisions involving cyclists and 25 per cent involving pedestrians between 2015 to 2017.

We've issued more than 8,000 HGV Safety Permits, with six per cent issued to zero-star vehicles. The remaining 94 per cent, more than 7,500 permits, were issued to vehicles between one and five-stars, making these compliant until stricter measures begin in 2024. Due to coronavirus, enforcement has been delayed to 1 March 2021 at the earliest.

A problem shared

In October, we set out plans to make works on London's road network safer and less disruptive, by making changes to the TfL Lane Rental scheme and introducing a new Roadworks Charter for utility companies.

Five companies – Thames Water, UK Power Networks, SGN, Cadent Gas and BT – have so far signed up to the charter, which includes measures such as sharing plans for works to see if they can be done at the same time, setting targets for improving safety performance and committing to reduce obstacles around works for road users.

The TfL Lane Rental scheme discourages companies from digging up the busiest sections of London's roads by charging them a daily fee. The scheme has saved £100 million of lost travel time since its introduction in 2012. All money raised from the scheme is reinvested in initiatives and innovations designed to reduce disruption caused by roadworks across the Capital.

New measures include increasing the Lane Rental network so charges would apply across 72 per cent of our roads, introducing a charge of £350 per day for works on the busiest sections of pavement, mostly outside major transport hubs, and incentivising work at quieter times of the day, such as in the evening.

Since Lane Rental was introduced there has been a 65 per cent increase in companies working at the same site, at the same time, and a 30 per cent rise in planned utility works at night.

Almost 73 schemes, such as mapping below-ground utility services, robotic technology and training to promote efficiency in on-site working practices have already received a share of £19m in Lane Rental funding allocated.

By working together, utility companies can reduce the impact of road works

The safety of London's road network is part of our commitment to Vision Zero

Infrastructure helps encourage Londoners to walk and cycle

Making cycling safer in London

Work continued at pace over the last year to expand London's network of safe, quality cycle routes, using quality criteria outlined in our Cycling Action Plan.

Construction started in July on Cycleway 4 (C4) between Tower Bridge and Greenwich, and work began at Kew Bridge in December to upgrade pedestrian crossings and create new segregated cycle lanes in preparation for a major 7km cycle route between Brentford and Kensington Olympia. Step-free access to the Thames Path will also be created by opening an arch so that the path will run under the bridge, instead of over it.

We also supported London's boroughs to complete significant new routes on their roads, including between King's Cross and Kentish Town and Elephant and Castle and Burgess Park. Public consultations also took place on a number of new quality cycle routes, including between Greenwich and Woolwich, Dalston and Lea Bridge, and Ilford and Barking Riverside.

'So much work has gone into improving safety already this year, but we all have so much more to do and we won't stop until we achieve Vision Zero'

Stuart Reid
Director of Vision Zero

Lowest number of road deaths on record

In July, we reported the 2018 casualty figures for London showing the number of people killed on London's roads had fallen to the lowest level on record. While this represents a welcome reduction, tragically, 111 people were killed in 2018 on London's roads. Work continues to reduce this number as part of the Vision Zero action plan aim that by 2041, no one will be killed or seriously injured on London's roads.

We ran a 'Know my name' video awareness campaign, with victims of road trauma to show that behind every statistic there's a human story. A range of measures are being used to help reduce the number of people killed or seriously injured on London's roads. This includes reducing speed limits, introducing the Direct Vision Standard for HGVs, bus safety measures, free training for motorcyclists, education campaigns, improvements to roads and junctions, and enforcement for dangerous vehicles and behaviour to protect road users.

Enforcement reduces the number of people killed or seriously injured on our roads

More active travel can help improve the health of Londoners

Twenty is plenty

As part of the Mayor and our commitment to Vision Zero, we have been working with the London boroughs on plans to introduce a slower maximum speed across the city. Speed is a factor in around 37 per cent of collisions in London where a person dies or is seriously injured, making reducing the speed limit a key part of reducing the number of people killed or seriously injured on London's roads.

In September, we announced plans for a 20mph speed limit in central London, following a consultation showing public support for lower speeds. We introduced the new speed limit across 8.9km of our roads, having recalibrated all speed cameras to the new speed limit and installed new signage and road markings. Raised pedestrian crossings were installed in seven locations where a high number of people walk, including near Embankment and Tower Hill Tube stations and outside Tate Britain.

'Every single death on London's streets is one too many so I'm really pleased that Londoners have backed our plans to introduce a 20mph speed limit on TfL roads within the Congestion Charge Zone and at Aldgate Gyratory. By also bringing forward plans to lower speed limits in other parts London, we will help protect more people walking and cycling across our city'

Sadiq Khan
Mayor of London

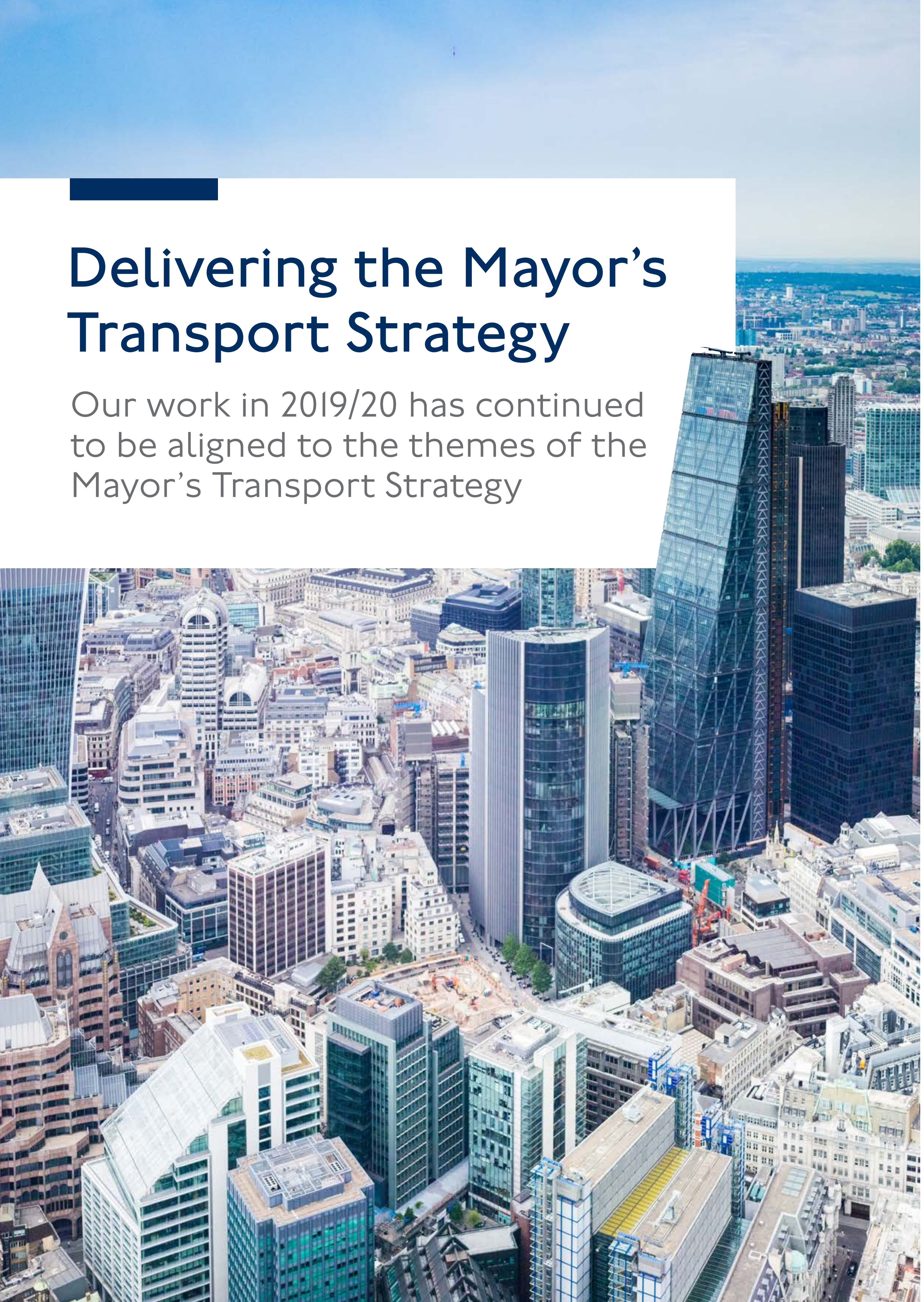
Junior Roadwatch takes action

In June, the Junior Roadwatch scheme returned, giving children the opportunity to educate drivers caught speeding outside their schools. Working with the Metropolitan Police Service (MPS) and The Royal Borough of Kingston Upon Thames council, pupils from Our Lady Immaculate Primary School in Surbiton joined police officers to tackle speeding by delivering an educational message to offending drivers on the dangers of speeding.

As part of the scheme, drivers caught speeding near the school are pulled over by police officers and given the option of enforcement which can either include a fixed penalty fine and points on their licence or attending a speed awareness course – and being reported for speeding or, if drivers are deemed suitable, speaking to the children.

Speaking to the driver, the primary school children asked questions such as 'Why do you think the speed limit is 20mph on this road?' and 'Are you aware of the consequences of speeding?' – to encourage the driver to reconsider the speed they were driving at.

London borough councils play an important and central role in the delivery of Junior Roadwatch by working in partnership with the police to identify and engage with local schools where speeding is a concern.



Delivering the Mayor's Transport Strategy

Our work in 2019/20 has continued to be aligned to the themes of the Mayor's Transport Strategy

The strategy acknowledges the key role of transport in shaping London and its global competitiveness, as well as in improving the health, opportunities and quality of life of those that live and work in the city.

The central aim of the strategy is to create a place that is not only home to more people but is a better space for them to live. This means a safer, healthier, cleaner, greener, more inclusive and better-connected city.

Healthy Streets and healthy people

Our investment is centred around improving the experience of being in the places where people live, work, go to school, spend time and travel. We will reduce traffic dominance and encourage people to walk, cycle and use public transport. This will help Londoners lead more active, healthy lives and create a city that works for all its residents.

A good public transport experience

We will ensure public transport is an increasingly attractive alternative to a car. Proper planning and investment in the whole journey will help integrate public transport with our on-street schemes. Making services available where people need them, reducing overcrowding and keeping fares affordable help us achieve these goals.

New homes and jobs

Improvements to transport are vital for creating the new homes and jobs that London needs. Our investment will help create communities where amenities are within walking and cycling distance and public transport is available for longer journeys.

Healthy Streets and healthy people

‘Through collaboration with London’s boroughs we’re focusing on delivering inclusive designs to local street schemes making them more accessible and welcoming for everyone who lives, works or visits the area.’

Will Norman
Walking and Cycling Commissioner

Walking and cycling

Making walking and cycling a more attractive way to travel in London

Summer of Cycleways

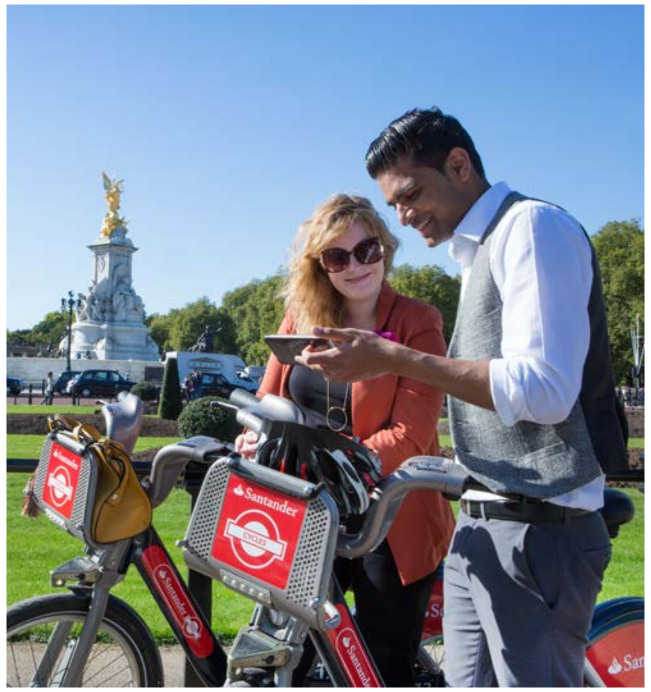
Many different cycling-themed activities were on offer at the Summer of Cycleways Festival, held on 9 June 2019 in Southwark Park in association with Southwark Council. The event brought together local people and those from across London, regardless of age or ability. It featured children's cycling games; a Santander Cycles pop-up docking station; free bike marking and mechanical checks; demonstrations by local cycling community projects; and even a smoothie bike – the chance to make a healthy drink using pedal power. Visitors were also able to find out more about C4, the new cycle route between Tower Bridge and Greenwich, ahead of the work starting last summer.

Other events included Santander Cycles guided rides on Sundays in August and early September 2019. The free rides took 20 lucky riders on a tour of many of London's sights, passing Hyde Park, the Houses of Parliament and Buckingham Palace.

To help even more Londoners get back in the saddle, we worked with the boroughs to deliver five high-quality Cycleways and announced the cycling network will be gradually rebranded as Cycleways. Location specific local communications activities were delivered to support the launch of each route to encourage use. A short film and online map were launched to help customers understand what Cycleways are, how to use them and where they are located.

To further communicate the campaign to Londoners, a new experience London blog was created, listing all the events and opportunities with additional coverage over social media.

11
Summer of Cycleways events took place



Funding doubled for cycling and walking programmes

We doubled the funding for walking and cycling programmes in 2019, making available £500,000 of grants for 60 community and not-for-profit groups. Now known as Walking and Cycling Grants London, this year the programme has been expanded to include walking projects for the first time. The aim is to tackle barriers to walking and cycling among traditionally under-represented groups, showing Londoners that walking and cycling are convenient, easy and fun ways to get around the city.

Previous projects have included trainee mechanics' courses for young offenders, cycling sessions for Syrian refugee families in Lewisham and beginners' bike riding classes for older adults in Westminster, Hammersmith and Fulham. Potential programmes may include guided walks, to encourage people to get active, and improve their health and quality of life.

More than
16,000
people encouraged to cycle through TfL-funded projects

Inaugural cargo bike competition

We launched our first ever cargo bike competition in 2019, showcasing 16 models at London's Queen Elizabeth Olympic Park. With cargo bikes being a cleaner, greener and often faster alternative to many polluting cars and vans, the competition aimed to raise their profile. Cargo bikes are ideal both as a sustainable option for deliveries and also as an alternative to the car for families with young children.

Eight judges assessed each bike on categories such as affordability, comfort, style, security, capacity and manoeuvrability. Douze's G4e bike won the Best Cargo Bike – Business category, the judges being especially impressed with the model's manoeuvrability and comfort. The Bakfiets Long won the Best Cargo Bike – Families category, the bike scoring highly for its affordability and ease of use.

The two winners received our official endorsement for their marketing purposes for 12 months.

Encouraging Londoners to walk

We work closely with the London Walking Forum (LWF) to enable and encourage Londoners to walk. The group meets quarterly and brings together walking experts and decision makers to drive a step change in how walking is regarded and provided for in London. This year, along with LWF partners, we helped save nearly 20,000 hours of travel time every day for people choosing sustainable travel through traffic signal reviews with walking, cycling, and bus stakeholders. Pedestrians across London are now benefiting from lower wait times and longer green periods. The LWF collaborated on the Active People Qualitative Research Study which helped to highlight how we and partner organisations can encourage Londoners to incorporate active travel, especially walking, into their daily journeys.

Car Free Day 2019 saw activities held across 27km of closed streets

Reimagine: Car Free Day 2019

The central London Car Free Day event, 'Reimagine', took place on 22 September 2019 with an estimated attendance of 70,000 people. An in-depth evaluation report was commissioned to analyse the impact of the event and 65 per cent of Londoners surveyed immediately after the event said it inspired them to use their car less. The follow up survey completed three months later showed that 98 per cent of attendees supported the event being held in London every year.

Activities were held across more than 27km of closed streets in central London, including Tower Bridge (closed to all traffic), London Bridge (buses only) and much of the City of London. We worked with boroughs to promote participation, and local events took place across 27 boroughs, with 385 'Play Streets' – almost double the target of 200. A promotional code giving people across London free cycle hire for 24 hours resulted in a record 1,373 redemptions – the highest of any day code in the history of our cycle hire scheme.

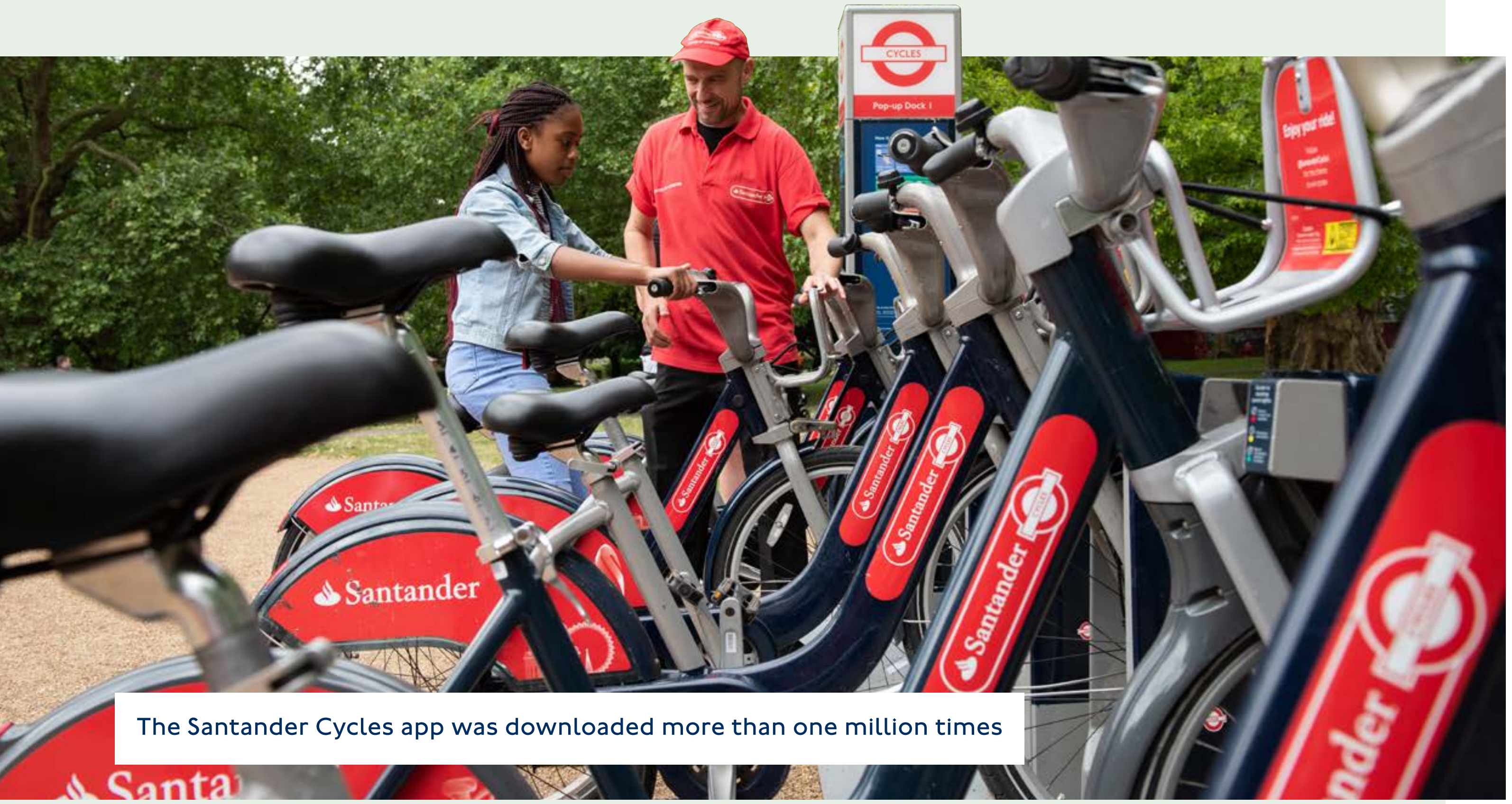
The event was awarded the ActTravelWise award for Best Campaign of 2019 and was also shortlisted under the Excellence in Travel Information and Marketing award at the London Transport Awards.

Healthy Streets Officers

In August 2019, we partnered with Sustrans to hire and train Healthy Streets Officers (HSO) who are now in post supporting all 33 London boroughs to help deliver our Active Travel and Road Safety initiatives. The HSOs play a big role in getting more schools engaged with our STARS program, to enable more children to walk, cycle and scoot to school. They also work with the boroughs on promoting cycle training and work place engagement, making sure businesses have the necessary information to provide employees on cycling and walking to work.

Toolkits to aid improvements

In March 2020, we published the Strategic Walking Analysis (SWA) and Planning for Walking Toolkit (PfWT). These help to better design environments to encourage walking and provide an evidence-based approach to inform investment for projects and programmes. The SWA enables us, boroughs, developers and other partners to prioritise investment in walking and deliver improvements. It combines what we know about walking in London, what the potential is, and maps at a neighbourhood level where investment could be targeted. The PfWT features tools to inform how we design the walking environment and provides planners and designers with options for collecting and assessing data to inform design decisions. Highlights include principles to provide all pedestrians with high quality experiences, tools to shape design briefs, and advice on producing a walkable neighbourhood assessment to identify how best to target potential locations for improvement.



The Santander Cycles app was downloaded more than one million times

Santander Cycles

In 2020, we celebrated 10 years of cycle hire in the Capital. More than 91 million hires have been made since we launched the scheme on 30 July 2010, and now Santander Cycles covers 100 square kilometres of London, making it one of the largest cycle hire schemes in Europe. More than 5.4 million different customers have used the Santander Cycle scheme with the official Santander Cycles app being downloaded more than one million times.

It continues to go from strength to strength, helping to improve Londoners' health, while also tackling air pollution and congestion. New docking stations were built across the Capital in 2019, with a hub with space for 21 cycles opening at Victoria Park in August. There were 105 new docking points installed around Network Rail stations during the year, making it easier for people to cycle as part of their daily routine. January 2020 saw the best ever start to a year with more hires than any previous January.

As part of the celebrations to mark the 10-year anniversary, we launched a year of competitions and events, which began with a call for riders' stories about using the scheme. One competition winner is chosen each month, seeing a Santander Cycles bike named in their honour, and receiving a free annual membership plus other prizes.

More than

91 million

cycle hires since 2010

World's largest cycling database launched

In summer 2019, we launched the largest collection of cycling information in the world. The Cycling Infrastructure Database contains the location of more than 240,000 pieces of cycling infrastructure in London, such as places to park and cycle lanes. It will give Londoners the ability to plan their journeys from start to finish, so that more people can ride in confidence and safety.

To create the database, we surveyed every street in every London borough, collecting data on all cycle parking spaces, as well as information on cycle lanes, traffic filters and wayfinding signs.

This data has been added to our Journey Planner, with those using the planner for cycle journeys able to see where to park their bikes. It is also being shared as open data so third parties can develop tools to make journey planning easier.

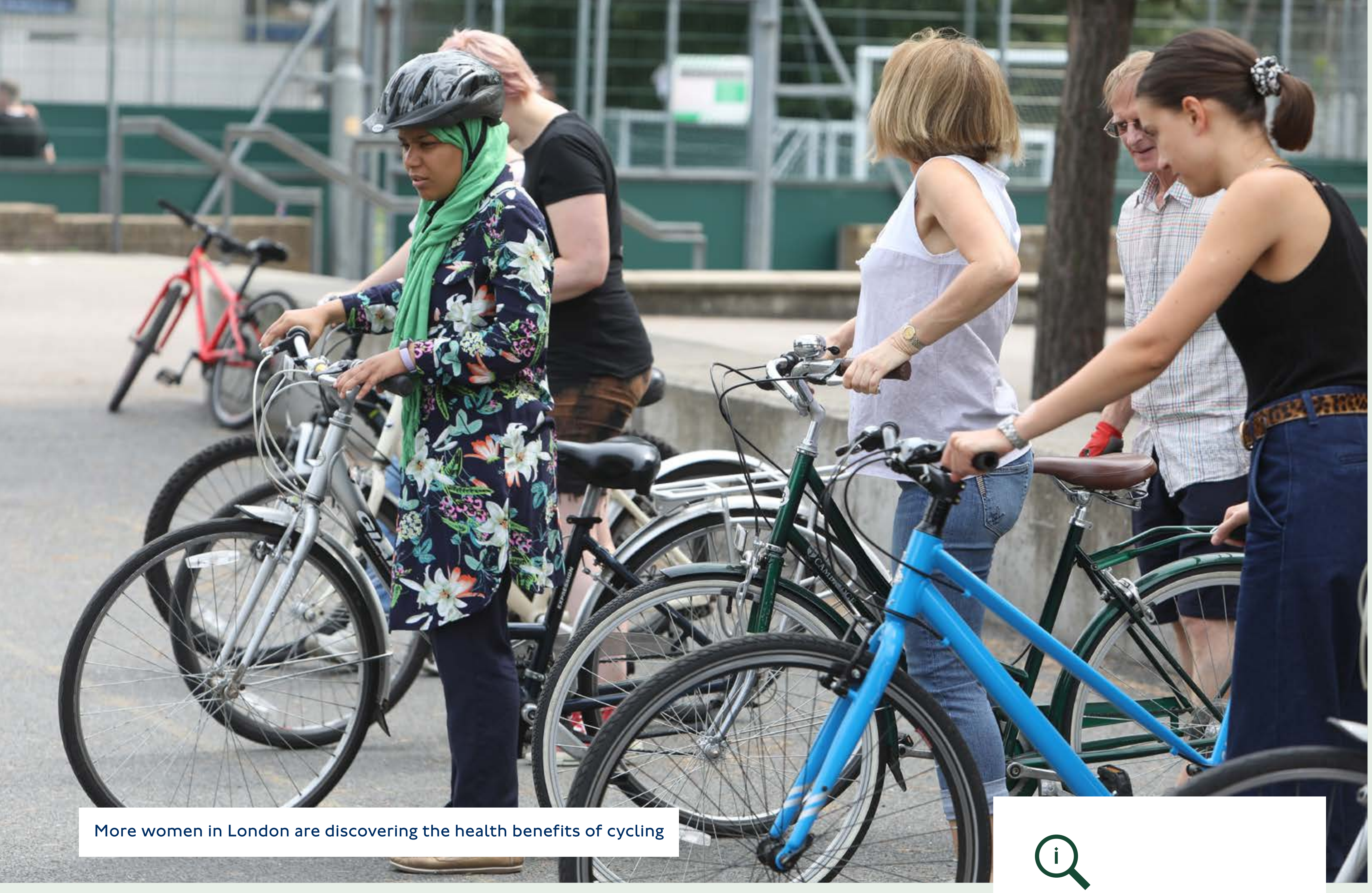
20

2017: Healthy Streets for London is launched, outlining how people and their health will be at the centre of decision making

Pounding the pedals

As part of the plan to double the number of cycle journeys across the Capital over the next six years, we have been investing in several new Cycleways. These cycle routes are carefully designed to make cycling safer and easier, encouraging more people to take to two wheels.

In July, work began on C4, a new segregated cycle route running between Tower Bridge and Greenwich, with construction including overhauling the busy Rotherhithe roundabout. This was followed by the launch of routes C6, C17, C20 and C23, which added 20km of protected space to London's cycle network. The winter saw further investment: work began on a Cycleway in east London, transforming neighbourhoods between Hackney and Westferry with new cycle lanes and pedestrian crossings. In west London, work started on an important new 7km link between Brentford and Olympia.



More women in London are discovering the health benefits of cycling

Cycling by women is more popular than ever, but more needs to be done

Women in Cycling campaign

Although three quarters of women in London know how to ride a bike, only 13 per cent currently cycle. To help get more women cycling, and marking International Women's Day in March 2020, we launched the Cycle Your City campaign. The campaign will run throughout the year with a series of workshops and events to be announced.

Tackling perceived obstacles to cycling helps more women to discover the many positive lifestyle and health benefits that cycling brings, such as improved fitness and mobility, decreased stress levels, and disease management and prevention. It could also boost cycling overall in London by around 10 per cent – the equivalent of more than 50,000 extra journeys per day, a boost to cycling that could make a real difference to the health of Londoners.

As part of the campaign, we aim to:

- Highlight women's personal stories about the benefits of cycling
- Commission research to better understand the barriers to cycling that are experienced by women
- Establish what more we can do to address these barriers

Cycle parking

In summer 2019, cycling in London was at record levels, with the average daily total distance cycled exceeding four million kilometres for the first time. To keep up with these increased levels of cycling, we have significantly invested in new cycle parking across the Capital.

The funding is part of our 2019 Cycle Parking Implementation Plan, which aspires that all stations outside Zone 1 have a minimum of 20 cycle parking spaces within 50 metres of a station, and a minimum of 30 per cent spare capacity. Ten stations will be brought up to this new benchmark during 2020.

We have awarded funding of more than £3.5m to 30 London boroughs to build nearly 8,000 cycle parking spaces where they are most needed. We are also expanding cycle parking in town centres, schools and residential areas, helping more Londoners to cycle regularly.

London's air quality

We have been working with Londoners to improve London's toxic air for everyone

We launched a number of initiatives to tackle air pollution in the Capital

'Our toxic air is an invisible killer responsible for one of the biggest national health emergencies of our generation. I simply refuse to be yet another politician who ignores it. The ULEZ is the centrepiece of our plans to clean up London's air'

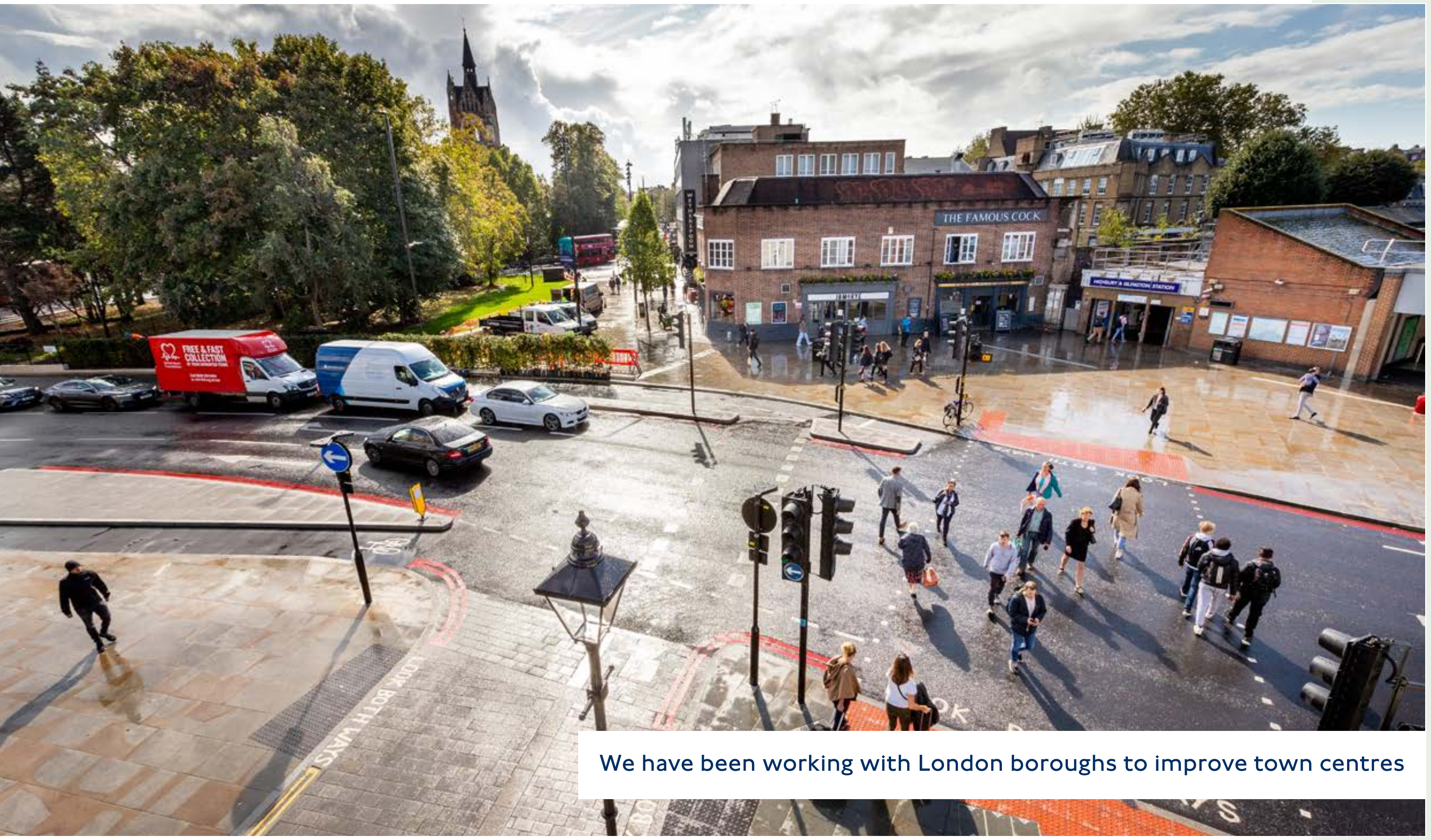
Sadiq Khan
Mayor of London

The world's first 24-hour Ultra Low Emission Zone

In April 2019, the Ultra Low Emission Zone (ULEZ) was launched in London with the aim of reducing toxic air pollution and to protect public health. The ULEZ operates within the Congestion Charge zone, 24 hours a day, seven days a week (except Christmas day) and operates in addition to the Congestion Charge.

Polluting vehicles account for around 50 per cent of London's harmful NOx emissions, which costs the Capital up to £3.7bn every year and contributes to thousands of premature deaths annually. If their vehicle doesn't meet the minimum emission standards, drivers entering the ULEZ now pay £12.50 per day for cars, vans and motorbikes, or £100 per day for lorries, buses and coaches. An online vehicle checker was launched, which was used more than 3.2 million times before the ULEZ began.

The ULEZ replaced the T-charge, brought in as a stepping-stone to the ULEZ in 2017. After the first 10 months of operation, in January 2020, average compliance with the ULEZ standards was 79 per cent in a 24 hour period, significantly higher than 39 per cent in February 2017 in congestion charging hours. From March 2019 to January 2020, there was a large reduction in the number of older, more polluting, non-compliant vehicles detected in the zone: around 17,400 fewer on an average day. This is a reduction of 49 per cent over numbers within Congestion Charging hours. In the first 10 months, there was a 37 per cent reduction in NO_2 concentrations at roadside locations in central London compared to a scenario of no ULEZ.



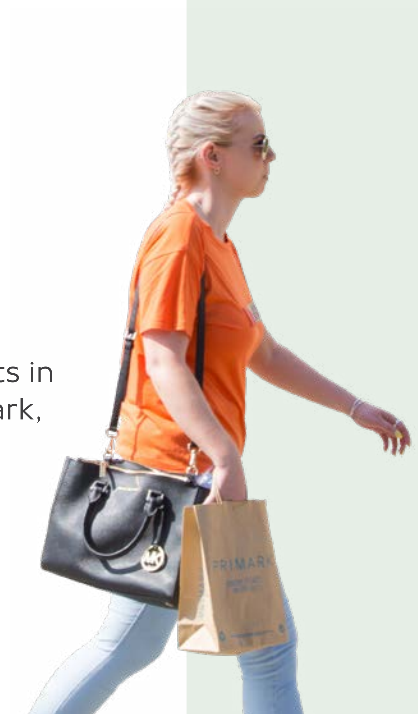
We have been working with London boroughs to improve town centres

Some of London's busiest town centres and high streets will be transformed in plans announced in 2019/20

Healthy Streets

In October, together with Islington Council, we officially opened the new Highbury Corner junction, which has been transformed from one of London's most intimidating roundabouts, into a junction that is much safer and more welcoming for people. Improvements include segregated cycle lanes on all three sides of the new junction, a new green public space, a station forecourt, as well as new and improved pedestrian crossings.

We have also worked with local boroughs to plan improvements to six local high streets. The plans use creative, low-cost ideas from local communities to improve high streets in Barnet, Croydon, Islington, Southwark, Tower Hamlets and Wandsworth, and numerous improvements have already been completed.



'In London we have the largest accessible bus fleet in the world... iBus has transformed our customers' journeys, and particularly helped people with visual or hearing impairments, by making it easier to navigate London, by reassuring customers that they are on the right vehicle'

Simon Reed
Head of Technology and Data

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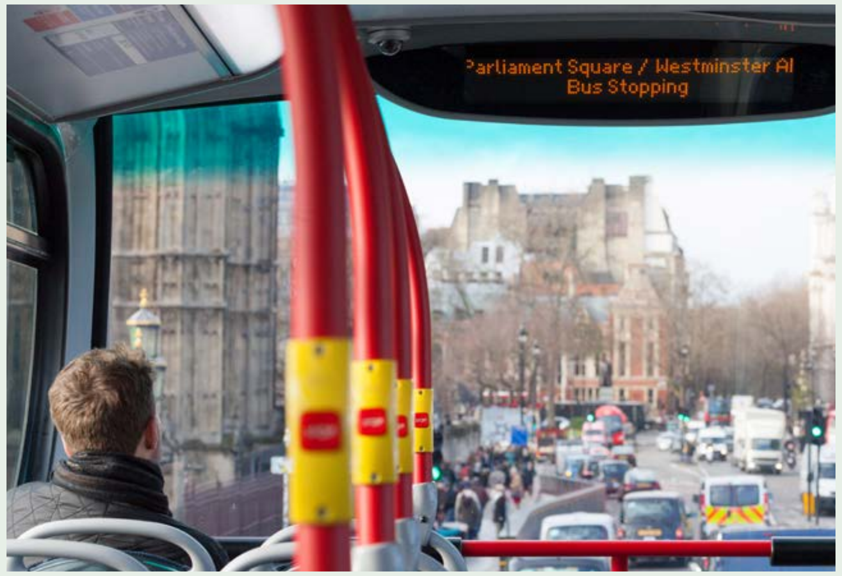
2008: Low Emission Zone for heavy vehicles launched to cover most of central London. Drivers have to pay a daily charge if their vehicle does not meet strict emission standards

iBus celebrates 10 years on London Buses

April 2019 marked 10 years of the iBus system on London Buses. Providing real-time journey information, iBus makes buses easier to use, particularly for customers with hearing or visual impairments.

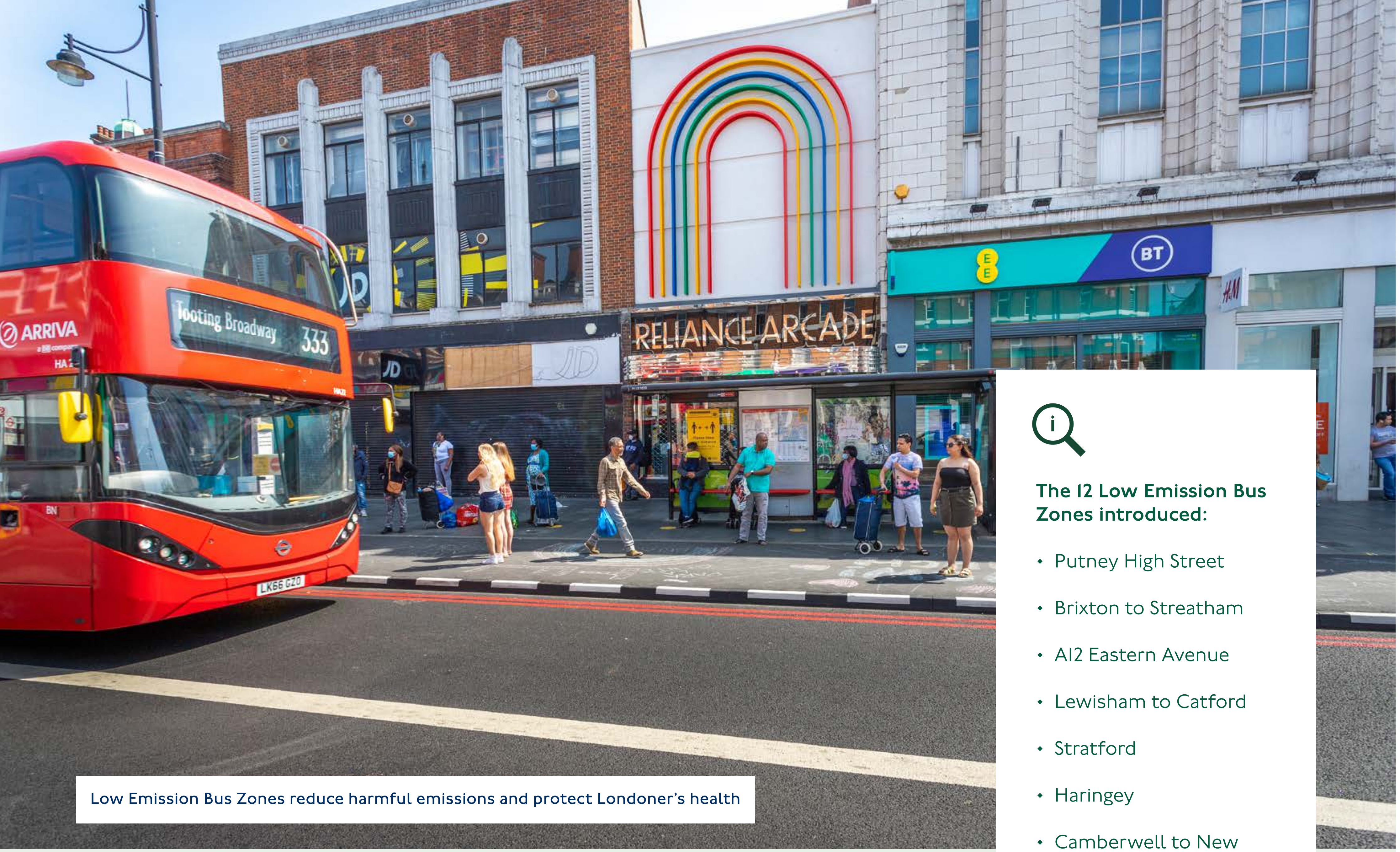
With bus stops and landmark names displayed, and audio announcements, customers can keep track of where they are. For customers with visual impairments, audio announcements can help them be confident of their journey and when to press the bell to get off. Similarly, customers with hearing impairments can see the display of which bus stop is next.

iBus has improved bus network reliability, which is at an all-time high, as GPS and other technologies give the exact location of a bus at any time. Controllers can then improve service performance and reliability and customers can use apps that rely on this information, showing when the next bus will arrive and adjust their journeys where needed.



95%

of London's bus stops are now accessible – tripling the number in the Capital since 2008



Low Emission Bus Zones reduce harmful emissions and protect Londoner's health

By September 2019, the final two of our innovative Low Emission Bus Zones were up and running; these last two zones were Chiswick High Road to Kensington High Street and Uxbridge Road to Shepherd's Bush. The new zones will add to the effort to reduce harmful emissions in the areas worst affected by pollution and protect people's health. The 12 zones complement the world's first ULEZ scheme which we launched on 9 April 2019.

Through introducing new and retrofitting existing buses, more than 92 per cent of the fleet now meets or exceeds the Euro VI standard across the Capital. Only buses that meet the cleanest emission standards can operate within the Low Emission Bus Zones. We are reviewing how the 'safe stop' pausing of our work to improve exhaust systems during the coronavirus pandemic will affect the completion of our programme, which until then was on track to be completed this October.

Our next goal is to move as quickly as possible from a low emission, to a progressively zero-tailpipe-emission fleet. We currently have around 300 zero emission electric buses and plan to raise this total to 2,000 vehicles by 2024 and then lift the rest of our buses to this standard no later than 2037, supported by the necessary infrastructure at garages.

The 12 Low Emission Bus Zones introduced:

- Putney High Street
- Brixton to Streatham
- A12 Eastern Avenue
- Lewisham to Catford
- Stratford
- Haringey
- Camberwell to New Cross
- Wandsworth to St John's Hill
- Edgware Road (Staples Corner to Maida Vale)
- Edmonton to Seven Sisters
- Uxbridge Road to Shepherds Bush
- Chiswick High Road to Kensington High Street

Grants encourage taxi drivers to switch to newer, greener vehicles

Taxi drivers have applied for a total of £30m of green grants out of a £42m pot. Enhanced in January 2019, the highest grant available was increased to £10,000, of which there were 1,250 payments and smaller amounts available from £9,000 to £1,000 to encourage the switch from the oldest, polluting taxis.

There are further grants available to purchase new, zero emission capable vehicles. There are more than 3,400 zero emission capable taxis licensed and operating on London's roads, following the requirement that all first-time licensed taxis must be zero emission capable.

Freight innovation challenge

In January 2020, with 10 freight industry partners, we launched London FreightLab, to tackle some of the biggest challenges for freight movement in London.

London FreightLab offered funding, land sites and subject matter expertise for a pilot of six innovative ideas chosen for further development.

A good public transport experience

'Investment, technology and innovation are helping us deliver a more efficient and accessible transport network for all Londoners'

Vernon Everitt
Managing Director, Customers, Communication and Technology

Underground innovations

Staying connected underground

In March, customers using the eastern half of the Jubilee line became the first Underground users to access full mobile connectivity on their smartphones and laptops, thanks to 4G access in tunnels and platforms.

Passengers between Canning Town and Westminster can enjoy uninterrupted digital connectivity during their journeys using 4G.

The pilot builds on our existing free Wi-Fi service and uses some of the cabling installed with Home Office funding to support the Emergency Services Network. 4G access is helping to remove one of the most high-profile mobile 'not-spots' in the UK.

'Introducing 4G and, in the future, 5G will help Londoners and visitors keep in touch and get the latest travel information while on the go. London is the best place to live, visit and work – and projects like this will help make it even better'

Sadiq Khan
Mayor of London

2010: Trials of free Wi-Fi at Underground stations begin at Charing Cross

Innovation

We recognise that brilliant innovation could help us solve London's transport challenges and we have built on successes with open data and data partnerships.

London RoadLab aimed to find safer and smarter ways of doing roadworks in the Capital. Innovators pitched ideas for tackling some of the biggest problems caused by roadworks last year. Nine solutions were shortlisted and awarded £20,000 each.

The Retail challenge asked businesses to enter an innovative and technological concept, reimagining the use of physical space in some of TfL's retail estate, and in return we offered retail space worth £100k for up to a year. The winner, Sook, focused on renting a retail space by the hour rather than a long-term lease.

'London RoadLab is a completely new way of procuring for TfL and we're excited to see these products in action on the Capital's streets, helping to tackle congestion and making our roads safer, and smarter'

Michael Hurwitz
Director of Transport Innovation

Keeping London's roads moving

In August, we awarded a contract to Sopra Steria to develop a new control room system. New software will present a richer picture of what is happening on the roads across London, taking in a lot more data about congestion, bus performance, weather and roadworks, to make it much easier for us to respond faster to incidents.

We will work closely with Sopra Steria to develop the new control centre system, which will give everybody managing the road network a single view of everything that happens on the network.

‘Replacing the oldest trains on the DLR and introducing a new modern fleet will ensure the railway continues to support the current and future growth in the Docklands area’

Jon Fox
Director of Rail and Sponsored Services

‘The Victoria line is already one of the most frequent metro services in the world. The new timetable increased capacity by a further five per cent – benefitting 275,000 customers every weekday’

Andy Lord
Managing Director
London Underground and TfL Engineering

A better DLR experience

In June, we announced that a contract had been awarded to Construcciones y Auxiliar de Ferrocarriles to replace the oldest trains on the DLR, which are nearly 30 years old. Customers using the DLR will benefit from more frequent and reliable journeys from 2023.

When the new fleet of walk-through trains comes into passenger service there will be several customer improvements, including the latest live audio and visual travel information, air conditioning and mobile device charging points. The new trains will provide better facilities for those with mobility impairments, with three multi-use areas in addition to three dedicated wheelchair spaces. These multi-use areas can also be used to accommodate pushchairs, bicycles or luggage. The 43 trains in the initial contact include 33 to replace the oldest rolling stock on the DLR network and an additional 10 to boost capacity.

Work to build three new escalators as part of the Bank station project began in September. Installing new escalators on the DLR concourse will make it easier for passengers to access the DLR and give additional capacity for travel when the new DLR trains enter service in 2023.

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2011: The DLR brings new trains into service for London 2012 and the DLR extension to Stratford International opens

Increased capacity on the Victoria line

Since November 2019, Victoria Line users have benefited from quicker journeys, as we have doubled the line’s peak frequency. Victoria line trains now arrive every 100 seconds for three hours during the morning and evening peak, rather than the previous hour and a half.

One train every
100 seconds
on Victoria line during the morning and evening peak

Overground improvements

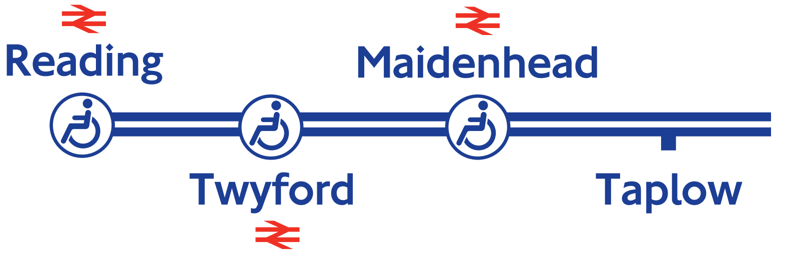
New electric trains entered service in May and restored service between Gospel Oak and Barking, which had been affected by the late delivery of the new trains. The four-car, walk-through Class 710 all-electric trains, were made by Bombardier and include the latest intelligent lighting and temperature control for more comfortable journeys for our customers. The new trains also have Wi-Fi, USB charging points and digital information screens giving customers higher quality real-time travel information while on board. The trains can carry nearly 700 people, doubling the capacity of the previous older diesel trains. A month of free travel (funded by the manufacturer) was provided to customers who had their service disrupted between Gospel Oak to Barking on part of the line for an extended time due to the delayed delivery. In March, the new Class 710 trains were introduced on London Overground routes into Liverpool Street, and will replace the old Class 315 and 317 trains on these lines. This will boost overall capacity on these routes by 10 per cent. The old stock runs as eight-car in peak hours.

Customers using London Overground routes from Cheshunt, Chingford and Enfield Town into London Liverpool Street will now benefit from these new trains as they are introduced on a phased basis and offer a more reliable service. Additional capacity was added in December with the introduction of a 10 train per hour service in the morning and evening peaks.

New electric trains between Gospel Oak and Barking double the capacity on the line

'The month's free travel, which was requested by the Mayor, is a well-deserved thank you to passengers for their patience'

Heidi Alexander
Deputy Mayor for Transport



TfL Rail to Reading

Since December 2019, train services between London Paddington and Reading are being operated by TfL Rail. This is the next step in the delivery of the Elizabeth line.

Under TfL Rail, customers will see improvements to their stations including better customer information and new lifts within the next year.

Transforming Old Street roundabout

Construction work began in May 2019 to transform Old Street Roundabout to make it safer for walking and cycling. The roundabout has already been removed and two-way traffic has been introduced. In the final layout, one arm of the roundabout will be closed to create a new public space with new seating areas and trees. There will be a new main entrance to the Underground station with a green roof to complement the public space and the environment. New segregated cycle routes and new pedestrian crossings will make the roundabout easier and safer to navigate.

We continue to improve London's streets

> 'We work around the clock to keep our road network safe and in a good state of repair and want to make it as easy as possible for people to report issues when they find them. The TfL Street Care service will give people more information about the work we are doing on London's road network and at bus stops and reassure Londoners that we really care about getting things fixed'

Glynn Barton
Director of Network Management

TfL Street Care

In December, we launched a new service that makes it simpler for people across London to report problems on the road network. The TfL Street Care service allows people to use an online map and a short, simple form to let us know about problems related to roadworks, potholes, damaged bus shelters and traffic lights. As well as showing whether the problem has already been reported to us, the map allows everyone to see what action has been taken to fix the issue. This gives people a greater understanding of the work we are doing to fix London's road network. The service can also be used to report graffiti, flyposting, problems with hoardings, scaffolding, streetlights and other street-related issues.

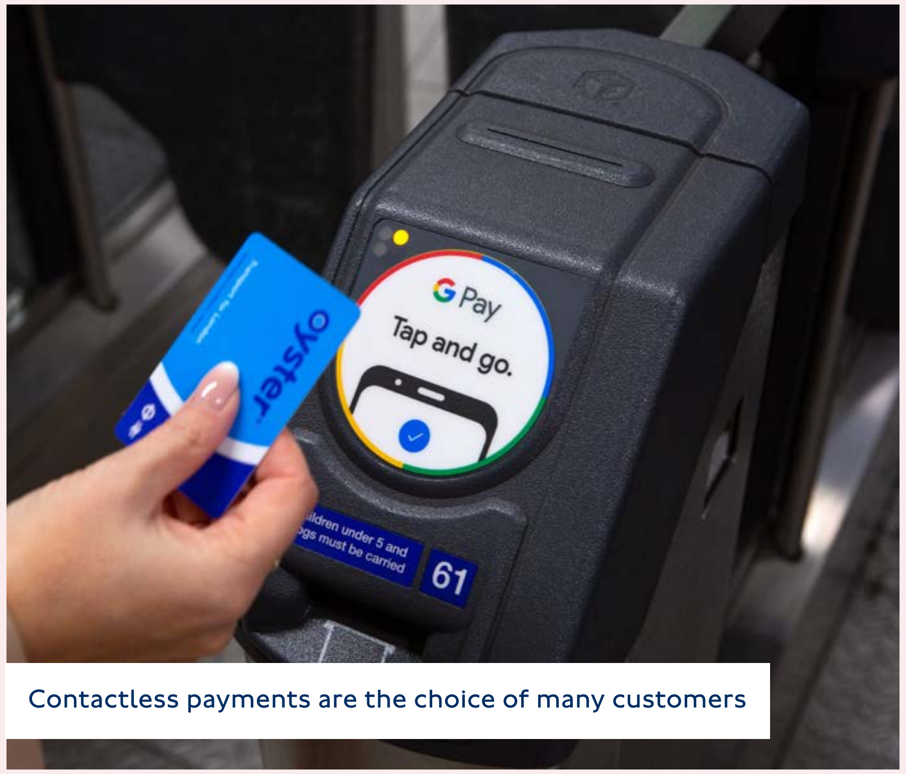
2003: London Traffic Control Centre opened on 5 February. This enables us to monitor real-time incidents happening across the road network

London Overground ticket office changes

We changed the opening hours for some London Overground stations to better match the times when most customers need them. Customers now pay for their travel more often with contactless payments and mobile devices instead of paper tickets, meaning less demand at off-peak times.

Fewer than two per cent of London Overground journeys involve a ticket sale from a London Overground ticket office, with sales through ticket offices reducing by a million compared with 2016. With this significant reduction, it had been proposed that ticket offices at many stations on the London Overground network would be permanently closed.

However, following a station-by-station assessment and consultation, conducted by London TravelWatch, a decision was taken to keep ticket offices staffed during those times of day when customers need them most. All London Overground stations that currently have a staffed ticket office will continue to do so. Staff continue to be available to give customers any help and assistance needed, including journey planning and ticketing. All stations will continue to be staffed from 15 minutes before the first train of the day until 15 minutes after the last.



Contactless payments are the choice of many customers

‘We are working to modernise London Overground to meet changing customer needs and are investing in new technology including the latest ticket vending machines to give our customers a greater range of options when using our services’

Rory O’Neill
General Manager for London Overground

2015: TfL makes a new open data Application Programme Interface (API) available for developers, making key information from across all TfL services available for use

All fares set by the Mayor stayed frozen in 2019/20

Popular Hopper fare continues

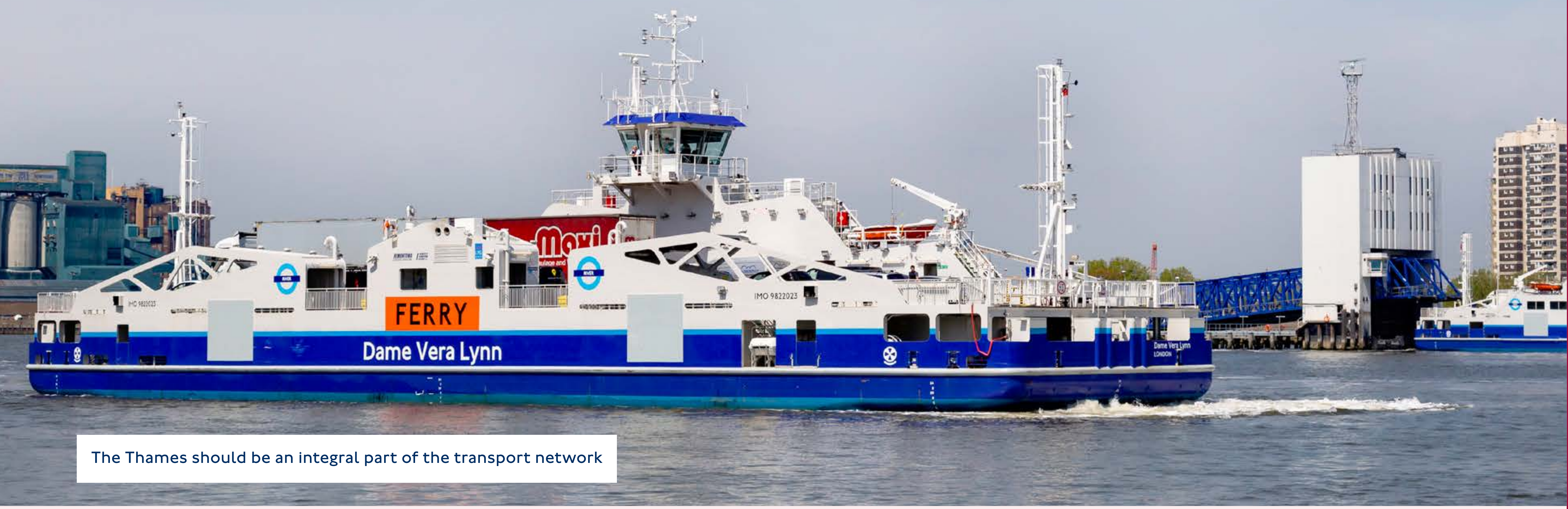
More than 368 million Hopper fare journeys have been made since it was launched in September 2016. More than 450,000 ‘hops’ are made each day (September 2019) making taking the bus a more affordable and convenient travel option for Londoners. The Hopper fare allows passengers to make unlimited journeys on London’s bus and tram network for £1.50 within one hour of touching in.

Fares frozen for 2020

All fares set by the Mayor remained frozen during 2020, meaning all pay as you go fares on bus, Tube, tram, DLR, Emirates Air Line, Santander Cycles and most London Overground and TfL Rail remained at their 2016 prices for the fourth year running. This supports the Mayor’s Transport Strategy aim for 80 per cent of all journeys to be made on foot, by cycle or by public transport by 2041.

A new pier strategy

Improving London River Services is key to help encourage sustainable transport



The Thames should be an integral part of the transport network

In November, London's Passenger Pier Strategy was published. The strategy outlined how we plan to safely and sustainably double the number of trips on the Thames, making the river an integral part of the transport network again.

The strategy adopts a Vision Zero approach to safety, and encourages commuting, leisure and tourism while realising the full potential of piers and river services. It proposes river services that are better integrated with other transport, accessible, easy to use, sustainable and low emission, with a key focus on customer experience. This will help the river play a greater role in reducing car use and freeing up capacity on other public transport, supporting the Mayor's Transport Strategy.

20

2019: Two new Woolwich Ferries, named Ben Woollacott and Dame Vera Lynn, come into service in February

The Passenger Pier Strategy proposes that improvements to river services will be achieved through new piers served by extended river bus services. These extended services will make the river a key transport option in east London and support new homes, jobs and growth.

To realise the full potential of the river, we worked with the Port of London Authority to encourage the delivery of more privately funded, developer-led piers. As part of its plans to improve safety on the Thames, we will embed safety requirements in the licensing process of London's passenger piers.

The Passenger Pier Strategy can be found on our website at tfl.gov.uk/modes/river/

'The Thames was integral to London's origins and will play a key role in its future. Our strategy establishes a clear way forward for everyone involved in river transport to get more Londoners out of their cars and to travel on the river in safe, sustainable and easy to use ways, freeing up capacity on other types of public transport and helping to clean up our toxic air'

Gareth Powell
Managing Director of Surface Transport

Speakers at the front of electric buses will play a sound to alert all road users

Enhanced accessibility

The wealth of disabled people's talents can be harnessed through accessible transport

Innovative bus sound trial

In December, we announced a trial of a bus sound for electric and hybrid buses beginning in January on the 100 bus route between St Paul's Cathedral and Shadwell, expanding to other bus routes in London later in 2020.

Travelling at low speeds, new electric and hybrid buses can run almost silently. This poses a safety risk, particularly for blind and partially sighted people. This innovative artificial bus sound, played through special speakers inside the front of the bus, will mean all road users are aware a bus is coming, even at slow speeds.

We worked with key stakeholders, such as Guide Dogs for the Blind and London TravelWatch, to develop the sound which will play until the bus reaches 12mph. At speeds of more than 12mph, the bus should make enough noise that an additional sound is not required. The pitch will vary with the speed of the vehicle, helping people to know where the bus is and which direction it is going. Bus drivers, operators and union representatives have also provided input to the trial.

The artificial bus sound is part of our world-leading Bus Safety Standard and supports the Mayor's Vision Zero ambition of no deaths or serious injuries on London's transport and road network by 2041.

Step-free station access continues

Supporting the aim from the Mayor's Transport Strategy of making the transport network more accessible and inclusive, we have introduced step-free access at several new stations this year.

West Hampstead station on the London Overground, Mill Hill East London Underground station and Hanwell, Langley, Iver and Taplow stations of TfL Rail now have step-free access.

There are now more than 200 step-free stations across our network. These include: 79 Tube stations, 60 London Overground stations, 25 TfL Rail stations and all DLR stations and tram stops.

A new entrance at Finsbury Park station opened in December 2019, making the third-busiest station outside central London fully step free and reducing congestion for all.

Promoting diversity in advertising

In February, along with City Hall, we announced that hosiery brand Nubian Skin's 'A Different Kind of Nude' campaign won a major advertising competition and £500,000-worth of prominent advertising space on our network.

This was the second year of running the diversity in advertising competition, which is designed to tackle tokenism, combat stereotypes and make advertising in London more representative of the Capital's rich ethnic diversity. Working with our media partners, Global and JCDecaux UK, the competition called on brands to create adverts that offered authentic portrayals of London's Black and Minority Ethnic communities.

Nubian Skin's winning campaign challenged assumptions surrounding the word 'nude' in the fashion industry. It was chosen due to its bold and inclusive imagery which embraced a range of ages and body types as well as skin tones.

20

2003: The Dial-a-Ride service, for people with disabilities that prevent them from using public transport, becomes part of TfL

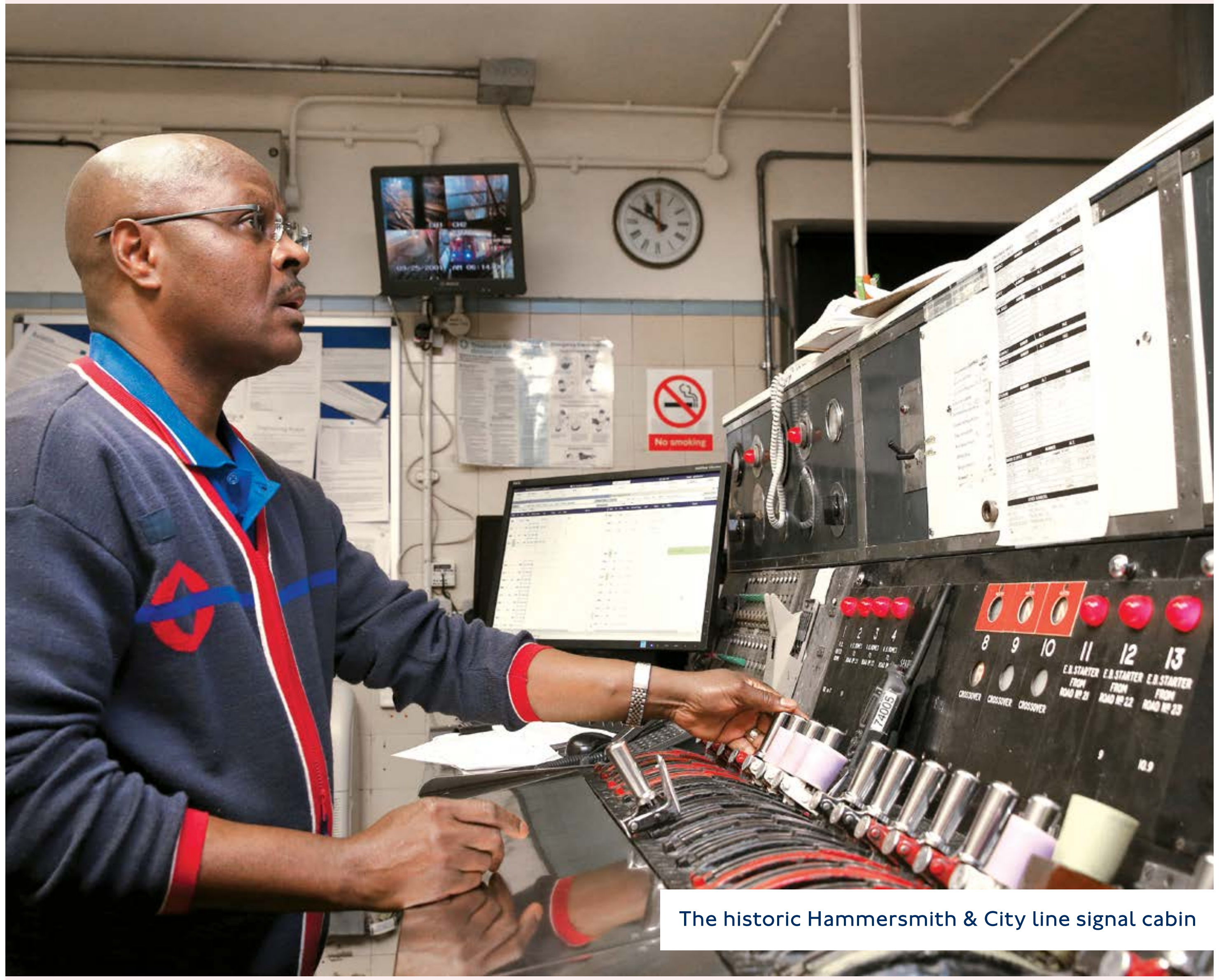
Nubian Skin won the diversity in advertising competition

Barking Riverside

We continued construction of the London Overground extension to Barking Riverside. The majority of the new piers, as well as the track bed for the line extension are now in place, as is the station box as well as associated works such as the emergency stairs and changes to the signalling systems. We are also working directly with Thames Water and UKPN to enable the final piers to be constructed. The 4.5km extension of the existing Gospel Oak to Barking line will feature a new station within the Barking Riverside town square, with step-free access from street to train. It will also unlock up to 10,800 new homes and boost regeneration across an underdeveloped part of east London.

'Without a new rail link in place, the full potential of the development at Barking Riverside cannot be achieved'

Stuart Harvey
Director of Major Projects



The historic Hammersmith & City line signal cabin

Modernising the Circle, District, Hammersmith & City and Metropolitan lines

We are transforming some of the oldest parts of the Underground network by replacing and improving outdated signalling, power and depot assets. Once completed, customers on the Circle, District, Hammersmith & City and Metropolitan lines will benefit from increased services, improved journey times and increased capacity. In September 2019, our new signalling system was extended to Euston Square on the Circle and Hammersmith & City lines, and from there to Finchley Road on the Metropolitan line, and to Paddington on the District and Circle lines. This section has included the major junctions at Baker Street and Edgware Road, with the latter allowing the closure of a signal cabin that had routed trains manually for 94 years.

Northern Line Extension

In June, an engineering train successfully travelled the entire length of the new tunnels from Kennington to Battersea for the first time. The first train to be driven along the full length of the extension marks the completion of the tunnels and track.

New entrance at Waterloo

By working closely with developers at South Bank and Waterloo, we reopened the newly enlarged and refurbished York Road entrance in May 2019, with three brand new escalators at Waterloo Tube station.

The refurbished York Road entrance to Waterloo

New homes and jobs

‘Londoners need good quality, affordable homes and our projects create vibrant, active and sustainable communities around transport hubs’

Graeme Craig
Director of Commercial Development

Affordable homes

This year work to bring more affordable homes to Londoners has continued

Londoners need affordable homes, near to transport and work opportunities

Supporting new homes

Work started on homes in Blackhorse Road, Beechwood Avenue and Kidbrooke and plans for further affordable homes were announced for Wembley Park and Hounslow. In Blackhorse Road in Waltham Forest, work started on 350 new homes, 50 per cent of which will be affordable. The new homes will provide a mixture of studio, one-, two- and three-bedroom properties. The 50 per cent of affordable homes will be managed by leading housing association, L&Q, with 60 per cent of these as shared ownership. The other 40 per cent will be available to households on low incomes with prices based on social rent levels. At Beechwood Avenue, 97 new homes are under construction in Barnet, with 50 per cent built as affordable housing. Kuropatwa is delivering the project and the striking design, led by Peter Barber Architects, has been recognised as the winner in the Unbuilt Housing category of the 2019 New London Architecture awards.

The Beechwood Avenue site is being constructed under the 'Small Sites, Small Builders' initiative to encourage smaller scale construction on smaller plots of publicly-owned land.

Construction also began in Kidbrooke to build more than 600 new homes, 50 per cent of which will be affordable housing. Notting Hill Genesis are leading the project, which is a mixture of one-, two- and three-bedroom properties. As well as providing new homes, the proposals for the site will improve and provide new amenities for the community, such as an improved transport hub and a new village square.

It is anticipated that once the scheme is complete, there will be 120 jobs created. The plans sustainably regenerate an underutilised brownfield site and incorporate nature, with new green walkways and parts of the existing woodland being retained.

Retail and stations

Improving our stations helps make travelling by public transport a better experience for all

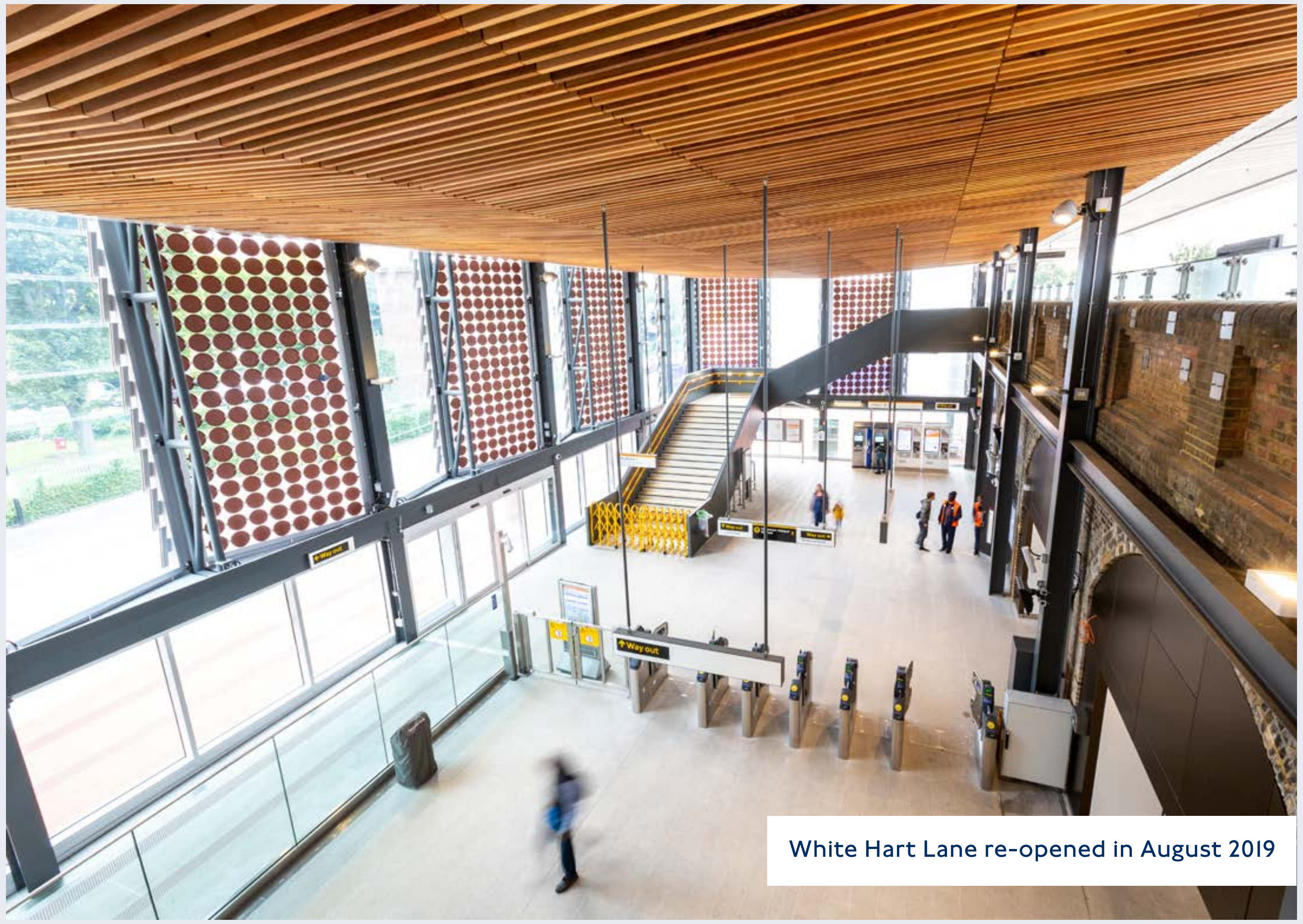
Bigger, brighter new-look White Hart Lane

The redevelopment at White Hart Lane station is now completed and in August, the station re-opened.

The design of the new London Overground station has been carefully planned to provide quicker and easier access for local commuters and also visitors attending matches or events at the new Tottenham Hotspur stadium, when usage increases by around 100 per cent.

White Hart Lane becomes the latest accessible station on the London Overground network. A new bright and airy ticket hall sits at the heart of the station, providing central and direct access to the platforms, meaning customers can move between the street and trains more quickly and efficiently, improving their experience.

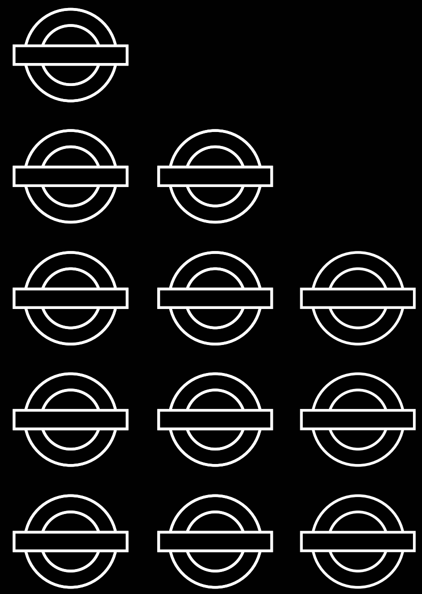
Two new station entrances provide better access to the ticket hall, one on Love Lane creating a better connection with Tottenham High Road and the second providing access via Penshurst Road for the first time.



White Hart Lane re-opened in August 2019

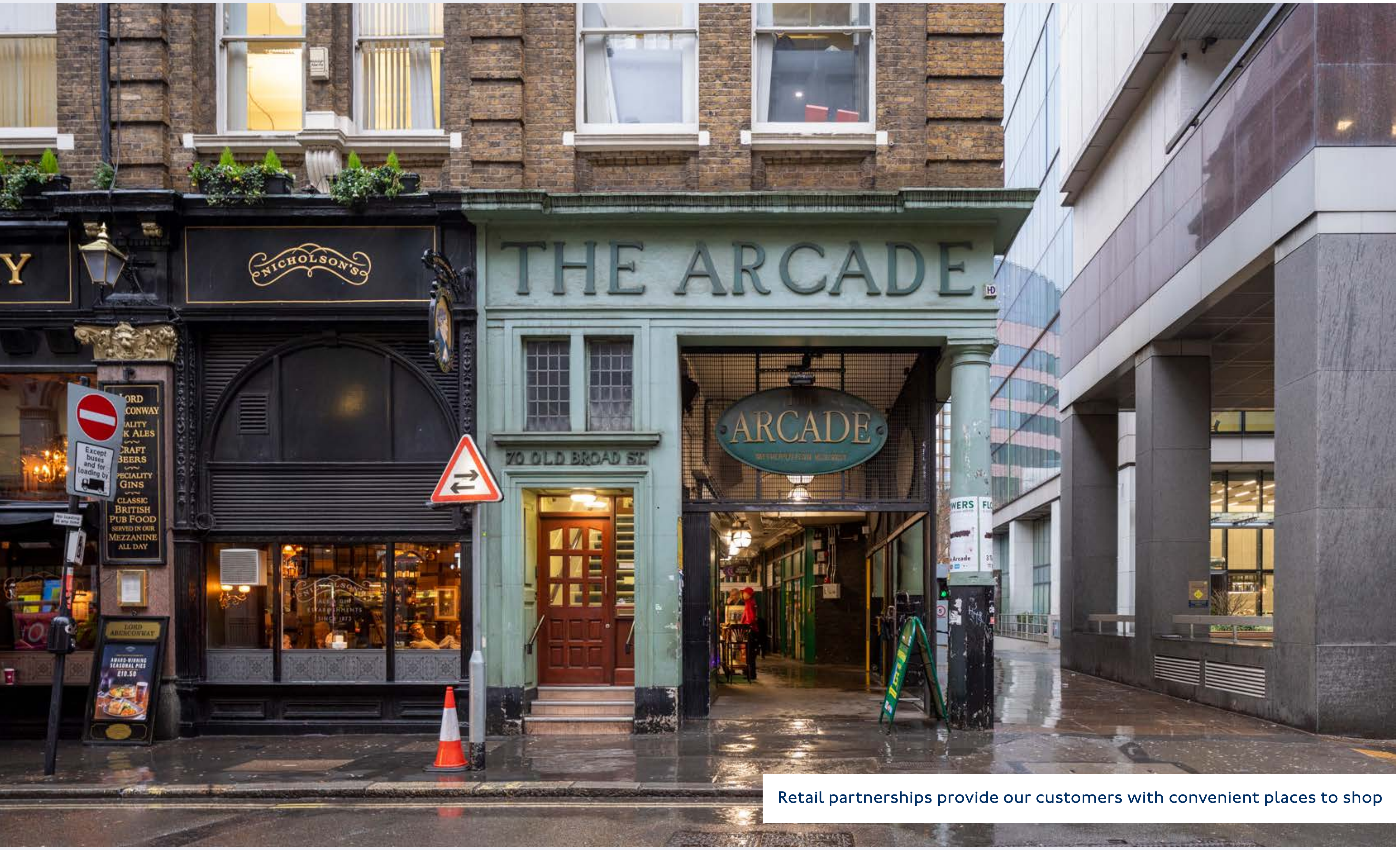
First Northern Line Extension roundels installed

In February, the first new Northern line roundels made in nearly 100 years were installed at Battersea Power Station and Nine Elms. In total, 113 roundels are being manufactured for installation at the two new Northern Line Extension stations – 62 for Battersea Power Station and 51 for Nine Elms. The extension is enabling the regeneration of the Vauxhall, Nine Elms and Battersea areas, spurring economic growth by supporting around 25,000 new jobs and more than 20,000 new homes.



113

new roundels are being manufactured for the Northern Line Extension



Retail partnerships provide our customers with convenient places to shop

Retail outlets within our stations are helpful to our customers and generate revenue

Retail innovation

Sook were announced in September as the winners of our Retail innovation competition. Sook won free retail space in London for their first store and will open a pop-up shop at South Kensington in autumn 2020. They use technology to offer adaptive retail space so businesses and individuals can have a physical space as and when they need it – with time slots for as short as one hour. They can also tailor the space by encouraging businesses to create their own digital interior to display their branding.

20

2006: Legible London signage is launched with the aim of helping Londoners to more easily navigate London by foot

Building partnerships together

This year, we announced several partnerships for building on identified parcels of land with the potential to unlock affordable homes with excellent public transport links. In Harrow, we will be partnering with Catalyst Housing Ltd to develop 100 per cent affordable homes. This project will use land previously used as three car parks, to deliver around 450 homes, all of which will be affordable. The sites are at Canons Park, Rayners Lane and Stanmore station car parks. As well as new homes, the plans will improve the public realm with new trees and enhanced pedestrian and cycling connectivity. Plans include making Stanmore station step free.

In April, we announced our preferred Build to Rent partner, Grainger plc. The Build to Rent initiative has the potential to deliver more than 3,000 homes, a minimum of 40 per cent of which will be affordable. We have identified the first phase of sites at some of London's most well-connected locations, such as Canning Town in the east and Southall in the west.

Each site will be considered individually, and TfL and Grainger plc will work with boroughs to identify local needs. Build to Rent is one aspect of our wider programme to provide a long-term development pipeline, to build more than 10,000 new sustainable homes, and deliver long-term revenue to be reinvested in the transport network.

In August, we launched a new programme to help transform London's boroughs into safer, greener spaces. A new team of 16 Healthy Streets Officers, funded by us, will work across London's boroughs to reduce school-run traffic, discourage engine idling and encourage sustainable travel methods.

The programme, managed by the charity Sustrans, will also support boroughs with London-wide events including World Car Free Day, Walk to Work Week and Road Safety Week. The programme will begin in Redbridge, before being expanded out to the remaining boroughs and the City of London.

Our people

‘Through the skills and hard work of our people, we are able to make using transport in London a good experience’

Tricia Wright
Chief People Officer

Natalie Gordon MBE, Team Manager, Customer Services

Royal recognition

This year, several members of our staff have been recognised with honours from the Queen

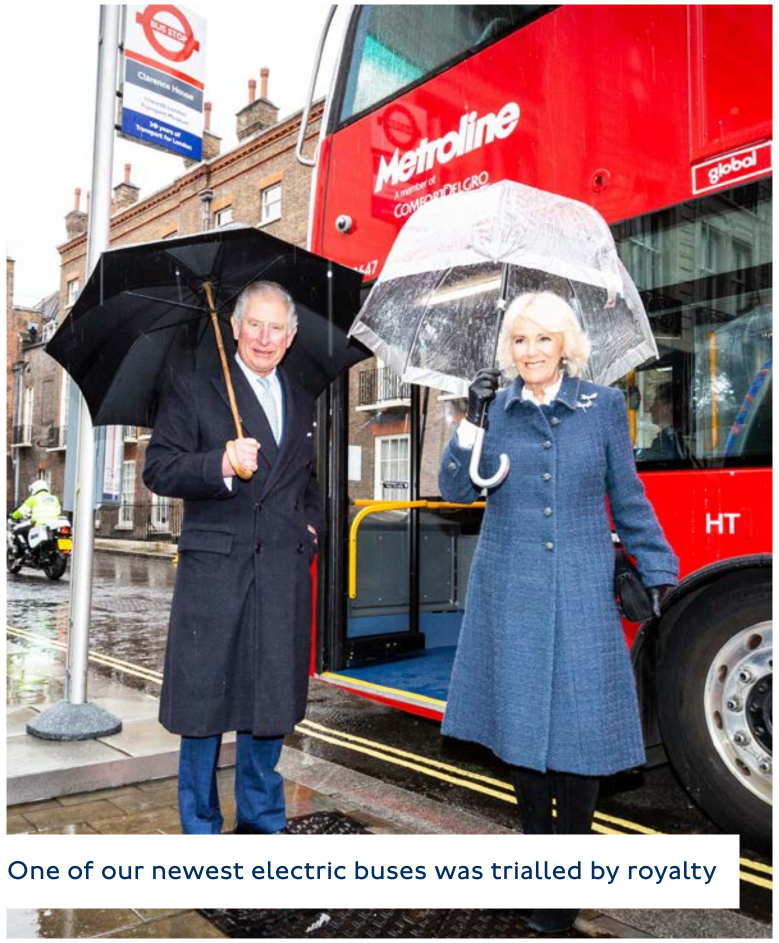
This year several staff members received honours from the Queen for services inside and outside of their work at TfL. In June 2019, Siwan Hayward, Director of Compliance, Policing and On-Street Services, received an OBE for her services to transport and policing, including her work on Project Guardian, in the Queen's Birthday Honours.

In the Queen's New Year Honours Brendan Gallagher, Customer Services Manager with the Northern line, received an Honorary BEM for services to young people for work to raise money for children with physical disabilities and additional sensory needs.

Natalie Gordon, Team Manager in Customer Services (pictured right) received an MBE for services to transport in London and the community, for supporting those affected by the tragic Grenfell Tower fire in 2017. She was recognised for outstanding customer service and working collaboratively with other organisations to ensure we were able to support victims and survivors.

'I'm really pleased that Natalie has been recognised for her work to support Grenfell Tower residents following the tragic fire'

Sadiq Khan
Mayor of London



One of our newest electric buses was trialled by royalty

A Royal trip to the museum

On 4 March 2020, HRH The Prince of Wales and HRH The Duchess of Cornwall got on board one of our newest electric buses for a trip to the London Transport Museum to help celebrate TfL's 20th anniversary year.

Travelling from Clarence House on a new environmentally friendly electric double-decker bus with Commissioner Mike Brown MVO, they were welcomed to the museum by the Mayor of London and spoke to some of our staff who have pioneered environmental and workplace mental health schemes, as well as crisis response teams.

His Royal Highness unveiled a TfL20 plaque to commemorate the visit and was presented with personalised HRH The Prince of Wales and HRH The Duchess of Cornwall roundels by Mike Brown MVO.

Brendan Gallagher received an Honorary BEM for his charity work

Working in partnership with our trade union colleagues to keep London moving

Working together for London

Our important work and partnerships with the transport unions has continued and been strengthened this past year.

We have worked hard to build up a comprehensive set of collective bargaining arrangements which provide for constructive discussions with trade union representatives and officials at all levels of the TfL organisation.

We ensure that local, functional and company-level meetings take place, usually on a quarterly basis, across the various employers within the TfL Group.

Additionally, there are separate Safety, Health and Environment meetings and other sub-groups focused on specific issues, such as employee pensions.

During the coronavirus pandemic we have worked hard to respond collectively and adapt our normal ways of working.

We have increased the frequency of meetings and introduced a weekly TfL-wide trade union summit to ensure that important issues can be raised and dealt with more quickly. We sought advice from unions on how we can best work together to protect our bus drivers and the public who still needed to use the bus network to make essential journeys.

'We have regular constructive discussions between trade union representatives and officials at all levels of our organisation.'

Tricia Wright
Chief People Officer

'I'm very pleased that the hard work and dedication that Claire demonstrates every day has been recognised through this award'

Matt Brown
Director of News and External Affairs

Age of success

In early March 2020 at the annual London Transport Awards, Claire Jermany, Head of Press Desk for Streets and Policing, was awarded The Stuart Ross Young Transport Communications Professional of the Year Award.

The award commemorates the life and work of Stuart Ross, our former Director of News who sadly passed away in 2016 after a long battle with cancer. In its 16th year, the ceremony, hosted by comedian Laura Lexx took place at Vauxhall's Park Plaza Riverbank hotel. Four-hundred industry professionals witnessed Claire accepting her well-deserved accolade.

Remuneration Report

In challenging conditions, we must stay focused on safety and delivering for London

As chair of TfL's Remuneration Committee, I must ensure that TfL has an appropriate remuneration policy to recruit and retain senior employees with the right experience to lead the organisation and deliver the Mayor's priorities.

The Annual Report sets out what TfL has delivered over the last year, while facing a number of financial challenges. These included a subdued economy caused by uncertainty over the UK's exit from the European Union and the ongoing delays to the opening of the Elizabeth line. Further to this, in March 2020, along with the rest of the UK – and indeed the world – TfL had to cope with the coronavirus pandemic and needed to make quick decisions to keep staff and customers safe. We are greatly saddened by the loss of our colleagues and friends who have died as a result of coronavirus and we remember the incredibly important role that they have played for this city.

Before the coronavirus pandemic, TfL's prudent management of its finances and operations meant it was in a sound financial position. The coronavirus crisis has had a significant impact on TfL's finances. Consequently, TfL has made use of the Government's Coronavirus Job Retention Scheme, and has secured an extraordinary funding and financing package from the Government to ensure it can play its full part in the recovery.

To confront the significant challenges that lie ahead, it is vital that we can attract and retain the right leadership to see the organisation through this difficult time and help get London moving and working again, safely and sustainably.

The Committee is responsible for setting a policy that allows TfL to compete in a global market to secure the right talent, while delivering value for money. Extensive external benchmarking provides confidence that we have an appropriate and balanced approach to rewarding senior staff that meets that goal.

Ben Story
Chair, TfL Remuneration Committee

'It is vital that we can attract and retain the right leadership to see the organisation through this difficult time'

Governance

Remuneration Committee members

Ben Story
Chair

Kay Carberry CBE
Vice Chair

Heidi Alexander

Ron Kalifa OBE

Remuneration Committee role and responsibilities

Remuneration policy is set by TfL's Remuneration Committee to attract and retain the highest calibre individuals to successfully manage a large and complex business, while being mindful of its status as a public sector organisation that is principally funded by fare payers.

The Committee's full terms of reference are published on the TfL website and essentially involve keeping an overview of TfL's reward and remuneration policies and its arrangements for talent management and succession planning. From time to time the Committee will review and set the remuneration of the Commissioner, Managing Directors, General Counsel, Chief Finance Officer and other direct reports of the Commissioner. The Committee also helps to review the remuneration strategies for the entire senior manager group, particularly regarding performance-related pay.

The remuneration of the Chief Executive of Crossrail is determined by the Crossrail Remuneration Committee. Crossrail is a wholly owned subsidiary of TfL, with its own independent governance arrangements. These include a board comprising executive and independent non-executive directors, as well as two non-executive directors appointed by TfL and the Department for Transport.

Dates of meetings during 2019/20

The Committee met formally on five occasions: 18 June 2019, 11 July 2019, 6 November 2019, 5 February 2020 and 11 March 2020.

Activities of the Remuneration Committee during 2019/20

In June 2019, the Committee reviewed overall performance against the TfL and individual scorecard areas for 2018/19. Final performance awards for the most senior employees were also agreed.

Also at the June meeting, the Committee were provided with an update on TfL's pay gap analysis, with a particular focus on gender and ethnicity, as at 31 March 2018. TfL has undertaken a significant campaign to improve the level of disclosure of protected characteristics of its staff. This resulted in proportionately more men declaring; while this impacted negatively on the pay gap figures, it did mean the statistics were more accurate and would be more reliable for tracking improvements going forwards. Further work to reduce the level of non-disclosure is under way.

At the November meeting, the Committee were provided with an update on TfL's approach to talent management, how it planned to ensure it had the right skills in place to deliver the Business Plan and the Mayor's Transport Strategy and work to create succession plans for Executive Committee members. The nature of TfL's business has changed significantly in recent years and it also operates in an increasingly complex and challenging operational and financial climate. It is vital therefore to ensure we attract, develop and retain staff with the right skills and capabilities to meet these challenges.

The Committee requested a review of the Performance Award Scheme for senior managers to ensure that there was a permanent solution to the issue of alignment between scorecard results and performance award thresholds. At the February meeting the Committee approved the approach to use the existing balanced scorecard and calibrate all individual scorecard measures (including implementing a sliding scale approach) to ensure reward outcomes are aligned to an appropriate level of performance delivery.

The 2020/21 TfL Scorecard and Performance Award Thresholds were presented to the Committee at the March meeting before the country went into lockdown as a result of the coronavirus pandemic. As we better understand the impact, we will review and reset the 2020/21 Budget and scorecard during the year and publish any update when it is appropriate.

During 2019, TfL implemented a number of changes as a result of the Dawn Jarvis review. These included reducing the notice periods given to new TfL senior staff from 12 months to six months for future managing directors, and reducing the period for directors from six months to three months.

Throughout the year, the Committee has been responsible for approving salaries of £100,000 or more for any new appointments.

Policy

Board remuneration
Board members receive a basic fee of £16,000 per annum. Additional fees are paid for each appointment to a committee or panel, up to a maximum total remuneration of £20,000 per annum.

The additional fees are paid at the rate of £1,000 per annum as a member and £2,000 per annum as the Chair of a committee or panel. Members are also entitled to receive free travel on the TfL transport network. No allowances are paid to members.

Any expenses claimed by members, in relation to fulfilling their role as a TfL board member, are published on the board members page of our website, along with details of any gifts or hospitality received.

The remuneration for each member for the year ended 31 March 2020 is shown in Appendix 5.

No fee is paid to the Chair or Deputy Chair of TfL.

General remuneration
Our general policy is to provide remuneration that attracts, retains and motivates individuals of the right calibre to manage a large, complex organisation. Remuneration packages reflect responsibilities, experience, performance and the market from which we recruit.

The reward structure that has been developed is commensurate with this policy. It includes a base salary and a performance award scheme against the achievement of a range of public transport, customer, people and financial targets.

The main objective of the remuneration policy is to ensure that reward is based on performance to drive delivery while ensuring that the overall reward package is affordable.

Executive remuneration
The base pay and the total remuneration of the Commissioner, Managing Directors, General Counsel, Chief Finance Officer and other direct reports of the Commissioner is set by the Remuneration Committee, which uses external benchmarking and other comparative information to determine remuneration. This is broken down into the following components:

Component	Purpose	Operation	Maximum
Base pay	To reflect the individual's role, experience and contribution. Set at a level to attract and retain individuals of the calibre required to lead a business of TfL's size and complexity.	The following factors are taken into account: • Remuneration benchmark information from a specific peer group to identify a market median range of base pay, which reflects what TfL's Commissioner, Managing Directors, General Counsel and Chief Finance Officer would receive if they were to work in a similar role in another company of similar size, complexity and scope • The scope and responsibility of the role • The individual's skill, experience and performance against targets • Affordability for TfL	There is no prescribed maximum salary. There will be no increases to base pay (where the accountabilities for the role remain unchanged) for the Commissioner, Managing Directors, General Counsel, Chief Finance Officer and Directors during the Mayor's current term in office.
Performance-related pay	To incentivise delivery of stretching one-year key performance targets (both individual and collective) as measured through individual performance rating and scorecard results.	Performance awards are calculated using a matrix, which sets out the percentage performance award an employee will receive based on a combination of the scorecard result and their individual performance rating. Depending on the business area an employee works in, either the TfL Scorecard alone or a combination of the TfL Scorecard and the Delivery Business Scorecard sets the budget available for performance awards. An employee's contribution, in the form of a personal performance rating, determines the percentage performance award received from the available budget using a multiplier approach. Awards are paid in the following financial year.	The maximum award for the Commissioner is 50 per cent of base pay. The maximum award for Managing Directors, General Counsel and Chief Finance Officer is 30 per cent of base pay.
Benefits	To provide a competitive total reward package that supports attraction, retention and motivation.	The Commissioner, Managing Directors, General Counsel and Chief Finance Officer receive the same core benefits as all other TfL employees. The only enhancements are full family cover for private medical benefit and an annual health assessment (which is available to all TfL directors). Membership of the TfL Pension Fund, a 'defined benefit' scheme which provides for a pension payable from age 65, based on 1/60th of pensionable salary for each year of service or, if invited and eligible, similar benefits provided on an unfunded basis. Some legacy arrangements apply for certain employees whereby an employer contribution of 10 per cent of salary is paid to either a defined contribution arrangement or as cash supplement at a discounted amount.	Pensionable salary is capped at £166,200 from 6 April 2019 for members who joined after 31 May 1989.

The remuneration received by the Commissioner, Managing Directors, General Counsel and Chief Finance Officer for 2019/20 is shown on page 61.

Performance-related pay

Approved by the Board, the scorecard details our key priorities, providing an objective method for tracking performance. We use 20 measures, which have been developed to provide a clear link between the long-term vision of the Mayor's Transport Strategy, the five-year Business Plan and the 2019/20 Budget. These measures are used to determine any performance-related pay.

The measures are aligned with the three key themes of the Mayor's Transport Strategy – Healthy Streets and healthy people, a good public transport experience, and new homes and jobs. They are further grouped into four key areas of Safety and operations, Customers, People, and Financial, with each carrying an equal weighting of 25 per cent.

Outcome	Measure	2019/20 Target	Category
Healthy Streets and healthy people (12.5%)			
London's transport system will be safe and secure	Reduction in people killed or seriously injured on the roads from 2005-09 baseline (%)	42.3	Safety and operations (25%)
	Reduction in people killed or seriously injured on roads from 2005-09 baseline – incidents involving buses (%)	58.7	
London's streets will be clean and green	Number of London buses that are Euro VI compliant	8,350	
London's streets will be used more efficiently and have less traffic	Traffic signal changes to support Healthy Streets (person hours per day)	15,000	
More people will travel actively in London	Healthy Streets check for designers (average % uplift)	10	
A good public transport experience (30%)			
Public transport will be accessible to all	Reduction in customers and workforce killed and seriously injured (compared to 2018/19)	108 fewer people killed or seriously injured (2.5% reduction)	
	Additional time to make step-free journeys (minutes)	8.3	
Journeys by public transport will be fast and reliable	Tube excess journey time (minutes)	4.49	
	Weighted bus customer journey times (minutes)	33.5	
	Customer satisfaction – percentage of Londoners who agree we care about our customers (%)	53	Customers (25%)
The public transport network will meet the needs of a growing London	Deliver key investment milestones (%)	90	
	Start of TfL Rail/Elizabeth line services between Paddington and Reading	December 2019	

1 Cycling trips in central London only

2 Net operating surplus is the net cost of operations before renewals and financing costs per internal management reports (see note 2 to the financial statements)

Outcome	Measure	2019/20 Target	Category
New homes and jobs (2.5%)			Customers (continued)
Transport investment will unlock the delivery of new homes and jobs	The cumulative percentage of affordable homes on TfL land with planning applications submitted – post May 2016 (%)	50	
Mode share (5%)			
80% of journeys will be made by sustainable modes in 2041	Public transport trips (millions)	3,967	
	Average kilometres cycled per day (thousands)[1]	540	
People (25%)			People (25%)
A capable and engaged workforce representative of London	Workforce representativeness - all staff (%) - director/band 5 (%)	 70.9 38.3	
	Inclusion index (%)	46	
	Total engagement (%)	57	
Financial (25%)			Financial (25%)
We are prudent and cover our costs	Net operating surplus (£m)[2]	625	
	Investment programme (£m)	1,679	

Severance policy

Most employees who leave owing to redundancy do so under TfL's voluntary severance arrangements.

Voluntary severance terms for employees may include, dependent on circumstances, some or all of the following:

- A number of weeks of pay based on length of service, age and weekly pay
- Notice period that an employee may work or receive as a payment in lieu of notice
- Outplacement support or an equivalent cash payment
- Enhanced pension provision

There are minimum service requirements for some of these terms and some elements vary if employees volunteer to leave early during organisational change.

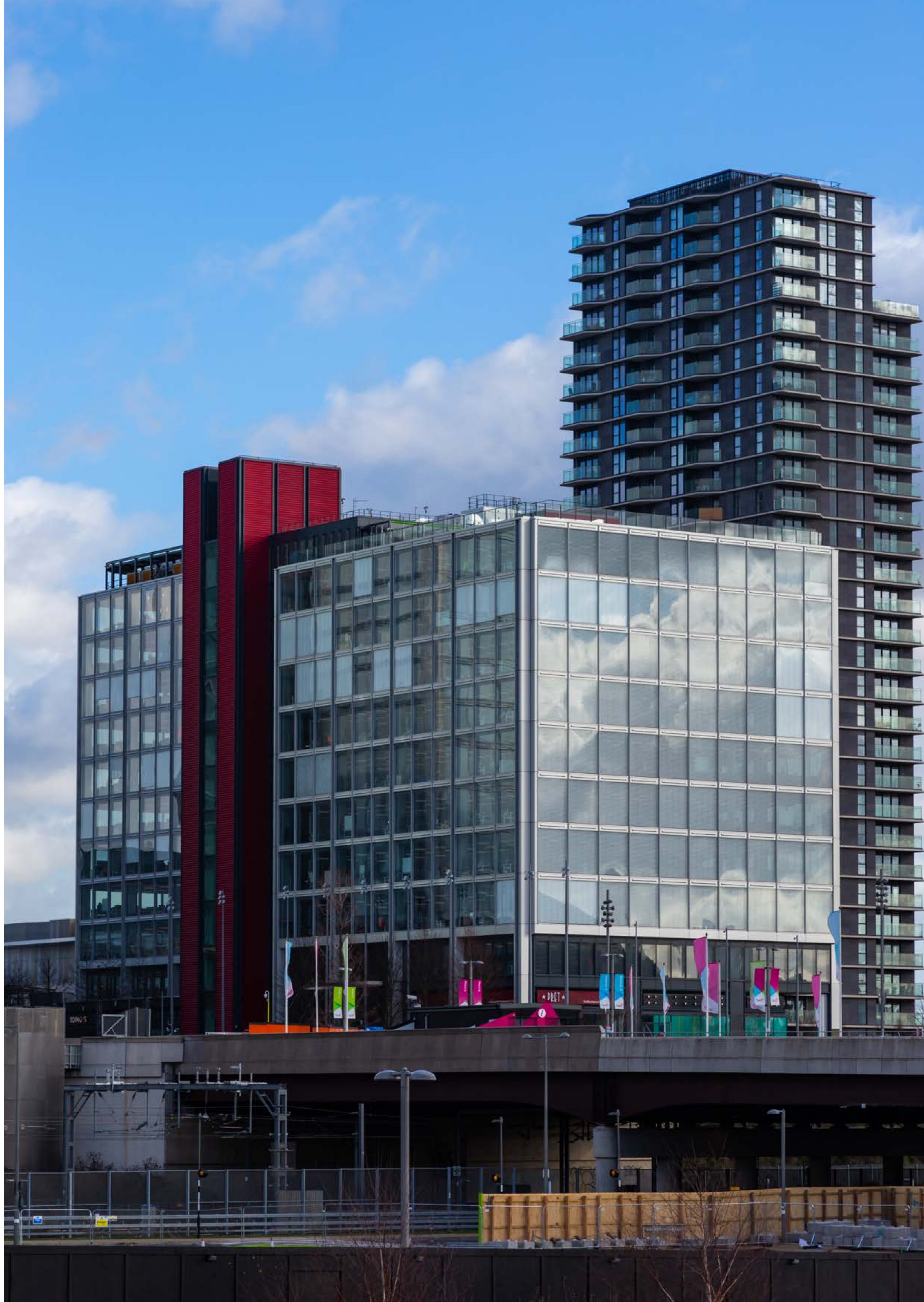
There are also some variations to these terms which have been agreed as local arrangements for the small number of employees who are members of the Local Government and Principal Civil Service Pension Schemes.

Following the Dawn Jarvis report, which was commissioned by the Mayor to review termination clauses and payments for senior employees across the GLA Group, the Remuneration Committee will have oversight of any proposed exit payments for the Commissioner, Managing Directors and other Senior Directors reporting to the Commissioner.

In addition, any exit payment outside of standard redundancy terms and which exceeds £100,000 (excluding notice periods, which are contractual) will be considered by the Remuneration Committee.

Other severance arrangements

In non-redundancy situations, TfL may enter into severance arrangements where to do so is in the interests of the organisation and represents value for money. All such arrangements are considered on a case-by-case basis.



Remuneration

Benchmarking of senior executives' pay
The Remuneration Committee uses data from remuneration consultants Aon Hewitt to benchmark the remuneration for the Commissioner, Managing Directors, General Counsel and Chief Finance Officer using two separate peer groups. The first is made up of comparable (scale, complexity and sector) private and public sector companies with a focus on transport, infrastructure and engineering (with data mainly derived from Aon's Executive Total Reward Survey (ETRS)); while the second is a peer group constituted solely from publicly accountable organisations.

The ETRS peer group comprises around 170 organisations focusing on the transportation, infrastructure and engineering sectors, and excluding those less relevant such as financial services. This provides a broad cross-section of the UK private sector market while incorporating some key public sector businesses as well.

The publicly accountable group comprises a range of 14 UK organisations with some degree of public accountability and, in most cases, a focus on infrastructure and transportation.

Each role is benchmarked against its respective counterparts in comparator organisations, with the scope of each role matched using Aon's JobLink system and TfL's internal Hay job evaluation scores. For combined roles, or where an incumbent has remit over multiple functions, benchmark data separately for each relevant role match is provided.

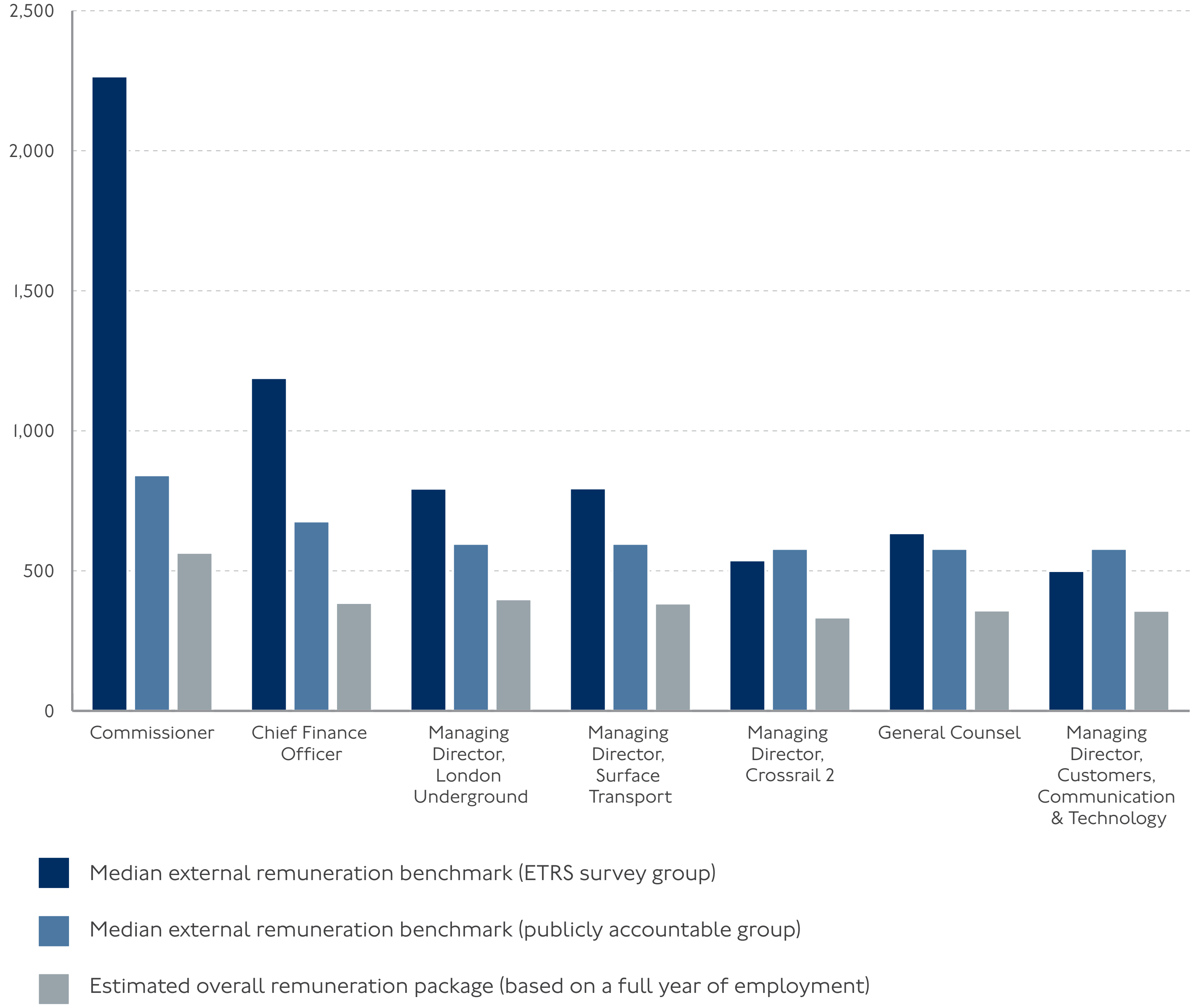
JobLink Levels are assigned to market data based on the scope and responsibilities of individual roles, as well as their seniority within their organisation and the scope of the organisation itself (typically with reference to group or divisional revenue). Role matching based on JobLink therefore ensures that a like-for-like comparison can be made between each role at TfL and the market data.

Estimated overall remuneration for each role has been calculated to include the base salary and estimates for performance-related pay and pension provision.

Performance-related pay has been based on the average level of performance over recent years, and the value of the pension provision is based on standard actuarial assumptions. The value of the estimated overall remuneration package will therefore be different to the actual remuneration paid.

The benchmarking has shown that the base salaries and comparable remuneration for the Commissioner, Managing Directors, General Counsel and Chief Finance Officer are significantly below the market level; total estimated overall remuneration is on average 55 per cent of the ETRS survey group market benchmark levels and 62 per cent of the publicly accountable group market benchmark levels. Individual alignment is shown in the following chart.

Benchmarking of remuneration for Commissioner, Chief Finance Officer, Managing Directors and General Counsel (£000s)



Comparison of senior executive pay to rest of TfL

The base salary of the Commissioner in 2019/20 was £355,944. This compares with the median base salary of £51,578 and the lowest base salary (excluding apprentices) of £20,255. The ratio between the Commissioner's salary and median base salary is 6.9:1 and the ratio to the lowest base salary is 17.6:1.

The following table shows how total remuneration is split between employees by grade.

	Percentage of total remuneration
Commissioner, Managing Directors, CFO and General Counsel	0.2
Directors	0.7
General managers	1.8
All other TfL employees	97.3

Note: employees' remuneration is consistent with the definition on pages 61-65 and includes salaries, fees, performance-related pay, benefits in kind, lump sums and termination payments. It excludes employer pension contributions and employer National Insurance contributions paid, and is based on remuneration received by employees during the relevant year.

Summary of employee information

Total headcount (including agency staff) increased by 323 full-time equivalents (FTEs), from 27,280 FTE on 31 March 2019 to 27,603 FTE on 31 March 2020. The average headcount (permanent and fixed-term contract) has reduced by 558 since last year.

Total remuneration costs fell by £3.9m (0.2 per cent) compared to 2018/19, despite inflation-linked pay increases for some employees.

Year	Average headcount*	Total remuneration costs (£m) *
2015/16	27,501	1,942.0
2016/17	27,131	1,963.9
2017/18	26,994	2,250.6
2018/19	26,372	2,176.8
2019/20	25,814	2,172.9

Note: average headcount and total remuneration costs include permanent, and fixed-term contract. Total remuneration costs include IAS 19 pension charges of £581.1m in 2019/20 (2018/19 £613.0m).

* From statutory accounts

Other employees' remuneration (including Crossrail)

We publish the remuneration of all employees, including those working in our subsidiaries, whose total remuneration was more than £50,000 over the course of the financial year, grouped in rising bands of £5,000. This information is included as Appendix 1 of this report.

The impact of the transfer of employees into and out of the Corporation* from subsidiaries can cause distortion for year-on-year comparison purposes. An additional voluntary disclosure for the Group** is therefore provided that shows the combined employee bands for TfL and its subsidiaries (Appendix 1 of this report).

The remuneration disclosure is also affected by the Crossrail project. The number of employees of Crossrail Limited receiving total remuneration of £50,000 or more decreased from 240 in 2018/19 to 201 in 2019/20. The corresponding figures for those receiving total remuneration of more than £100,000 per year decreased from 47 in 2018/19 to 36 in 2019/20.

Employees with a total remuneration of more than £100,000 per year

In 2019/20, 178 people earned a total remuneration of more than £100,000 during the financial year and had a base salary of £100,000 or more per year, compared with 171 in 2018/19.

Overtime was worked by specialist engineers and highly skilled project employees, 131 of whom earn a base salary of less than £100,000 per year, but the overtime they earned took their total remuneration above the threshold, compared with 80 in 2018/19. Many of these people are specialist engineers working overnight and at weekends on major projects, such as the Northern Line Extension, Bank Station Upgrade, London Overground Barking Riverside Extension and installing new signalling on the Circle, District, Hammersmith & City and Metropolitan lines.

A total of 82 people (compared with 117 in 2018/19) who were on a base salary of less than £100,000 per year received a one-off voluntary severance payment that took their total remuneration above this threshold. This is largely due to people leaving as part of our transformation programme, which is working to reduce management layers and eliminate duplication to improve efficiency and deliver recurring savings.

Therefore, the total number of TfL staff (excluding Crossrail) who received total remuneration of more than £100,000 per year, including severance payments and overtime, was 521 in 2019/20 compared with 468 in 2018/19.

	2019/20	2018/19
Base salary of £100k or more	178	171
Base salary between £80k and £100k	130	100
Voluntary severance payments taking earnings over £100k	82	117
Level of overtime worked taking earnings over £100k	131	80
Total TfL	**521**	**468**
Crossrail	36	47
Total (including Crossrail)	**557**	**515**

* The Corporation is made up of London Streets, Taxi and Private Hire, and the corporate centre which, for legal and accounting purposes, constitutes TfL

** The TfL Group is made up of the Corporation and its subsidiaries

Appendices

1: Number of employees who received total remuneration of more than £50,000*

Employees' remuneration

This includes salaries, fees, performance-related pay, benefits in kind, lump sums and termination payments, but excludes pension contributions paid by the employer.

Remuneration (£)	Group 2020 number**	Group 2019 number	Corporation 2020 number***	Corporation 2019 number
50,000 - 54,999	3,993	4,427	744	846
55,000 - 59,999	3,885	3,616	689	636
60,000 - 64,999	1,807	1,802	515	509
65,000 - 69,999	1,428	1,427	438	435
70,000 - 74,999	962	967	327	321
75,000 - 79,999	795	759	264	242
80,000 - 84,999	539	564	174	167
85,000 - 89,999	394	379	126	127
90,000 - 94,999	265	243	90	83
95,000 - 99,999	193	186	72	65
100,000 - 104,999	136	121	47	57
105,000 - 109,999	77	64	35	27
110,000 - 114,999	64	49	22	23
115,000 - 119,999	53	45	21	27
120,000 - 124,999	33	35	15	17
125,000 - 129,999	27	33	11	22
130,000 - 134,999	20	17	5	10
135,000 - 139,999	23	9	12	6
140,000 - 144,999	16	15	7	10
145,000 - 149,999	4	18	1	11
150,000 - 154,999	11	9	9	4
155,000 - 159,999	9	11	6	8
160,000 - 164,999	12	4	4	2
165,000 - 169,999	9	5	5	2
170,000 - 174,999	7	9	6	2
175,000 - 179,999	3	5	-	4
180,000 - 184,999	4	1	2	1
185,000 - 189,999	6	7	4	4
190,000 - 194,999	4	9	3	6
195,000 - 199,999	-	4	-	3
200,000 - 204,999	7	4	2	2
205,000 - 209,999	2	5	2	3
210,000 - 214,999	2	3	1	2
215,000 - 219,999	2	1	2	1
220,000 - 224,999	1	2	-	1
225,000 - 229,999	2	2	2	-
230,000 - 234,999	-	1	-	1
235,000 - 239,999	4	1	4	1

* Information subject to audit

** The TfL Group is made up of the Corporation and its subsidiaries

*** The Corporation is made up of London Streets, Taxi and Private Hire, and the corporate centre which, for legal and accounting purposes, constitutes TfL

Remuneration (£)	Group 2020 number**	Group 2019 number	Corporation 2020 number***	Corporation 2019 number
240,000 - 244,999	2	1	2	1
245,000 - 249,999	-	3	-	1
250,000 - 254,999	2	-	2	-
255,000 - 259,999	-	2	-	1
260,000 - 264,999	-	2	-	-
265,000 - 269,999	-	2	-	1
270,000 - 274,999	2	1	2	1
275,000 - 279,999	1	-	-	-
290,000 - 294,999	1	1	1	-
295,000 - 299,999	-	1	-	-
300,000 - 304,999	-	1	-	1
305,000 - 309,999	-	2	-	1
310,000 - 314,999	-	1	-	-
315,000 - 319,999	1	2	1	1
330,000 - 334,999	-	1	-	1
355,000 - 359,999	3	2	2	2
360,000 - 364,999	2	-	2	-
370,000 - 374,999	1	-	1	-
375,000 - 379,999	1	-	1	-
400,000 - 404,999	1	1	-	-
415,000 - 419,999	-	1	-	-
475,000 - 479,999	1	1	-	1
505,000 - 509,999	-	1	-	1
515,000 - 519,999	1	-	1	-
Total	**14,818**	**14,885**	**3,682**	**3,701**

Remuneration for senior employees

The Accounts and Audit Regulations 2015 require disclosure of individual remuneration details for senior employees with a base salary of £150,000 or more, calculated on a full-time equivalent basis for those working part-time.

Disclosure is made for each financial year under various categories and set out in the tables from page 61.

Employer's pension contributions include the contribution in respect of future benefit accrual. Member contributions are payable by employees at a fixed rate of five per cent of pensionable salary.

Salary, fees and allowances are disclosed on an earned basis. Although performance-related pay is reported on a cash paid basis, it may not be determined for many months after the end of the relevant year.

** The TfL Group is made up of the Corporation and its subsidiaries

*** The Corporation is made up of London Streets, Taxi and Private Hire, and the corporate centre which, for legal and accounting purposes, constitutes TfL

2: Named employees receiving a base annual salary in excess of £150,000 at 31 March 2020*

Name	Notes	Salary (including fees & allowances) 2019/20 (£)	Performance-related pay (PRP) for 2018/19 paid in the year 2019/20 (£)	Compensation for loss of employment 2019/20 (£)	Benefits in kind 2019/20 (£)	Total remuneration excluding pension contributions 2019/20 (£)	Employer's contribution to pension 2019/20 (£)***	Salary (including fees & allowances) 2018/19 (£)	PRP for 2017/18 paid in the year 2018/19 (£)	Total remuneration excluding pension 2018/19 (£)****
TfL employees including subsidiary companies but excluding Crossrail										
Mike Brown MVO, Commissioner	a	**372,227	145,225	-	2,209	519,661	-	**372,506	133,586	508,301
Howard Carter, General Counsel	b	**232,905	58,255	-	2,186	293,346	-	**255,697	57,090	314,973
Michèle Dix, Managing Director, Crossrail 2	c	**169,037	31,856	-	1,706	202,599	-	**169,056	40,498	211,260
Vernon Everitt, Managing Director, Customers, Communication and Technology	d	252,642	61,622	-	2,186	316,450	-	243,485	57,875	303,546
Simon Kilonback, Chief Finance Officer	e	**306,361	65,170	-	2,186	373,717	-	**273,180	44,712	320,067
Andy Lord, Managing Director, London Underground	f	**128,911	-	-	877	129,788	-	-	-	-
Gareth Powell, Managing Director, Surface Transport	g	**305,773	68,692	-	2,186	376,651	9,434	**305,649	50,648	358,483
Fiona Brunskill, Director of Business Partnering and Employee Relations	h	37,027	-	-	498	37,525	9,408	-	-	-
George Clark, Director of TfL Engineering		165,000	7,755	-	1,706	174,461	42,751	165,000	27,770	194,476
Andrea Clarke, Director of Legal	i	162,200	29,436	-	1,706	193,342	42,850	165,369	28,675	195,750

* Information subject to audit

** Salary, fees and allowances include an allowance paid as a result of the individual opting out of part or all of the benefits provided by the TfL Savings for Retirement Plan or TfL Pension Fund. The allowance is paid at the rate of the employer contribution foregone, discounted by the employer rate of National Insurance to ensure no additional employer cost is incurred. It also includes an allowance available to employees on fixed-term contracts who choose to join a defined contribution scheme rather than the TfL Pension Fund

*** A number of senior employees opted out of the TfL Pension Fund during 2015/16. They are instead accruing equivalent benefits under an unfunded defined benefit pension scheme

**** Total remuneration for 2018/19 also includes benefits in kind as reported in last year's Statement of Accounts

a salary sacrificed for pension of £8,306 (2018/19 £8,035)

b salary sacrificed for pension of £8,306 (2018/19 £8,035) and holiday buy of £4,558 (2018/19 £nil)

c salary sacrificed for pension of £22,000 (2018/19 £22,000). Paid for providing services four days per week

d salary sacrificed for pension of £8,306 (2018/19 £8,035) and received higher duty pay of £9,428 to cover a period of greater responsibility when acting as Managing Director of London Underground and TfL Engineering

e changed role in 2018/19, formerly interim Chief Finance Officer

f entered service 4 November 2019

g salary sacrificed for Cycle to Work scheme of £538 (2018/19 £462)

h entered service 6 January 2020

i salary sacrificed for holiday buy of £3,169 (2018/19 £nil)

Name	Notes	Salary (including fees & allowances) 2019/20 (£)	Performance-related pay (PRP) for 2018/19 paid in the year 2019/20 (£)	Compensation for loss of employment 2019/20 (£)	Benefits in kind 2019/20 (£)	Total remuneration excluding pension contributions 2019/20 (£)	Employer's contribution to pension 2019/20 (£)***	Salary (including fees & allowances) 2018/19 (£)	PRP for 2017/18 paid in the year 2018/19 (£)	Total remuneration excluding pension 2018/19 (£)****
Tanya Coff, Divisional Finance and Procurement Director, London Underground	j	176,211	26,406	-	1,706	204,323	42,606	162,000	28,091	191,797
Graeme Craig, Director of Commercial Development		185,000	24,235	-	1,706	210,941	44,688	185,000	24,069	210,775
Patrick Doig, Divisional Finance and Procurement Director, Surface Transport	k	178,290	28,480	-	1,706	208,476	42,196	159,611	27,744	189,061
Stephen Field, Director of Compensation and Benefits	l	**190,047	28,525	-	1,706	220,278	-	**190,349	65,345	257,400
Lester Hampson, Property Development Director	m	177,301	179,638	-	1,706	358,645	44,688	177,216	113,750	292,672
Michael Hardaker, Director of Network Extensions	n	182,996	-	-	2,186	185,182	44,688	42,026	-	42,524
Stuart Harvey, Director of Major Projects		**277,136	78,913	-	1,706	357,755	-	**277,136	77,240	356,082
Joanna Hawkes, Corporate Finance and Strategy Director	o	**9,172	-	-	-	9,172	-	-	-	-
Chris Hobden, Project Director, Four Lines Modernisation		150,000	36,870	-	1,706	188,576	32,564	141,950	14,400	158,056
Antony King, Group Finance Director	p	**208,287	27,590	-	1,706	237,583	732	190,079	-	191,785
Chris MacLeod, Customer and Revenue Director		**207,439	29,370	-	-	236,809	-	**207,456	28,611	236,067

** Salary, fees and allowances include an allowance paid as a result of the individual opting out of part or all of the benefits provided by the TfL Savings for Retirement Plan or TfL Pension Fund. The allowance is paid at the rate of the employer contribution foregone, discounted by the employer rate of National Insurance to ensure no additional employer cost is incurred. It also includes an allowance available to employees on fixed-term contracts who choose to join a defined contribution scheme rather than the TfL Pension Fund

*** A number of senior employees opted out of the TfL Pension Fund during 2015/16. They are instead accruing equivalent benefits under an unfunded defined benefit pension scheme

**** Total remuneration for 2018/19 also includes benefits in kind as reported in last year's Statement of Accounts

j took on increased responsibility during 2019/20. Salary sacrificed for holiday buy of £2,149 (2018/19 £nil)

k took on increased responsibility during 2019/20. Salary sacrificed for Cycle to Work scheme of £71 (2018/19 £389)

l salary sacrificed for pension of £8,306 (2018/19 £8,012)

m performance-related pay disclosed as received in 2019/20 also includes a deferred payment in respect of 2017/18 totalling £30,608

n entered service 7 January 2019

o entered service 16 March 2020

p changed role in 2019/20, formerly Divisonal Finance Director, Major Projects Directorate

Name	Notes	Salary (including fees & allowances) 2019/20 (£)	Performance-related pay (PRP) for 2018/19 paid in the year 2019/20 (£)	Compensation for loss of employment 2019/20 (£)	Benefits in kind 2019/20 (£)	Total remuneration excluding pension contributions 2019/20 (£)	Employer's contribution to pension 2019/20 (£)***	Salary (including fees & allowances) 2018/19 (£)	PRP for 2017/18 paid in the year 2018/19 (£)	Total remuneration excluding pension 2018/19 (£)****
Lilli Matson, Chief Safety, Health and Environment Officer	q	149,969	16,335	-	1,706	168,010	36,407	134,154	13,553	148,870
Peter McNaught, Director of Operational Readiness	r	166,622	18,336	-	1,706	186,664	41,406	162,756	26,928	191,390
Helen Murphy, Director of TfL Consulting and International Operations	s	151,000	15,067	-	1,706	167,773	38,985	124,523	-	125,929
Jonathan Patrick, Chief Procurement Officer	t	111,788	-	-	382	112,170	22,476	-	-	-
Caroline Sheridan, Director of TfL Engineering Delivery		162,584	18,336	-	769	181,689	41,406	163,080	8,126	171,246
Shashi Verma, Director of Strategy and Chief Technology Officer		234,615	36,675	-	769	272,059	55,630	233,983	34,160	268,912
Alex Williams, Director of City Planning		**206,569	30,260	-	-	236,829	-	**206,019	26,928	232,947
Brian Woodhead, Director of Customer Service		**234,907	42,920	-	1,706	279,533	-	**232,013	63,660	297,379
Tricia Wright, Chief People Officer	u	**235,839	36,675	-	769	273,283	-	**236,005	35,640	272,414
Ken Youngman, Divisional Finance Director, Commercial Development		**169,884	54,250	-	1,706	225,840	14,885	**169,895	-	171,601

** Salary, fees and allowances include an allowance paid as a result of the individual opting out of part or all of the benefits provided by the TfL Savings for Retirement Plan or TfL Pension Fund. The allowance is paid at the rate of the employer contribution foregone, discounted by the employer rate of National Insurance to ensure no additional employer cost is incurred. It also includes an allowance available to employees on fixed-term contracts who choose to join a defined contribution scheme rather than the TfL Pension Fund

*** A number of senior employees opted out of the TfL Pension Fund during 2015/16. They are instead accruing equivalent benefits under an unfunded defined benefit pension scheme

**** Total remuneration for 2018/19 also includes benefits in kind as reported in last year's Statement of Accounts

q changed role in 2019/20. Salary sacrificed for Cycle to Work scheme of £154 (2018/19 £846)

r changed role in 2019/20, formerly Asset Operations Director. Salary sacrificed for holiday buy of £943 (2018/19 £nil)

s entered service 4 June 2018

t entered service 30 September 2019. Salary sacrificed for holiday buy of £1,327 (2018/19 £nil)

u salary sacrificed for pension of £8,306 (2018/19 £8,012)

Name	Notes	Salary (including fees & allowances) 2019/20 (£)	Performance-related pay (PRP) for 2018/19 paid in the year 2019/20 (£)	Compensation for loss of employment 2019/20 (£)	Benefits in kind 2019/20 (£)	Total remuneration excluding pension contributions 2019/20 (£)	Employer's contribution to pension 2019/20 (£)***	Salary (including fees & allowances) 2018/19 (£)	PRP for 2017/18 paid in the year 2018/19 (£)	Total remuneration excluding pension 2018/19 (£)****
Crossrail current office holders/employees										
Tony Meggs, Non-Executive Chairman	v	200,000	-	-	-	200,000	-	46,209	-	46,209
Nick Raynsford, Non-Executive Deputy Chairman	w	48,000	-	-	-	48,000	-	10,544	-	10,544
Mark Wild, Chief Executive	x	**446,133	31,692	-	1,706	479,531	-	333,669	69,312	404,937
Chris Sexton, Deputy Chief Executive	y	302,784	100,000	-	1,706	404,490	32,064	274,045	29,486	305,237
Carole Bardell-Wise, Health, Safety, Quality and Environment Director	z	129,740	-	-	1,413	131,153	12,655	-	-	-
Susan Beadles, General Counsel		155,872	-	-	1,706	157,578	27,810	140,143	17,063	158,912
Chris Binns, Chief Engineer		179,618	-	-	1,706	181,324	17,749	175,636	18,135	195,477
Jim Crawford, Chief Programme Officer	aa	61,381	-	-	289	61,670	-	-	-	-
Alexandra Kaufman, Communications Director	ab	78,863	-	-	402	79,265	7,886	-	-	-
Rachel McLean, Chief Finance Officer	ac	57,295	-	-	522	57,817	10,994	-	-	-
Howard Smith, Chief Operations Officer	ad	**182,447	21,175	-	1,706	205,328	-	**182,803	64,453	248,962
Andy Weber, Delivery Construction Manager	ae	149,356	-	-	769	150,125	15,084	137,009	6,032	143,810

** Salary, fees and allowances include an allowance paid as a result of the individual opting out of part or all of the benefits provided by the TfL Savings for Retirement Plan or TfL Pension Fund. The allowance is paid at the rate of the employer contribution foregone, discounted by the employer rate of National Insurance to ensure no additional employer cost is incurred. It also includes an allowance available to employees on fixed-term contracts who choose to join a defined contribution scheme rather than the TfL Pension Fund

*** A number of senior employees opted out of the TfL Pension Fund during 2015/16. They are instead accruing equivalent benefits under an unfunded defined benefit pension scheme

**** Total remuneration for 2018/19 also includes benefits in kind as reported in last year's Statement of Accounts

v entered service 14 January 2019. Paid for providing services two days per week

w entered service 14 January 2019. Paid for providing services five days per month

x role at Crossrail started 19 November 2018. Formerly Managing Director, London Underground and PRP received relates to that role. Salary sacrificed for Cycle to Work scheme of £nil (2018/19 £77)

y PRP disclosed relates to retention payment only

z entered service 3 June 2019

aa entered service 30 January 2020

ab entered service 23 September 2019

ac entered service 2 January 2020

ad salary sacrificed for pension of £8,306 (2018/19 £8,012)

ae salary sacrificed for childcare vouchers of £1,488 (2018/19 £1,488)

Name	Notes	Salary (including fees & allowances) 2019/20 (£)	Performance-related pay (PRP) for 2018/19 paid in the year 2019/20 (£)	Compensation for loss of employment 2019/20 (£)	Benefits in kind 2019/20 (£)	Total remuneration excluding pension contributions 2019/20 (£)	Employer's contribution to pension 2019/20 (£)***	Salary (including fees & allowances) 2018/19 (£)	PRP for 2017/18 paid in the year 2018/19 (£)	Total remuneration excluding pension 2018/19 (£)****
Former employees										
Sarah Bradley, Group Financial Controller	af	**61,804	16,940	278,686	260	357,690	3,530	163,579	15,176	179,524
Jean Cockerill, Director of Business Partnering and Employee Relations	ag	37,457	-	-	190	37,647	9,743	157,403	26,877	185,049
Nigel Holness, Managing Director, London Underground	ah	**336,993	14,921	-	562	352,476	-	**282,722	36,185	335,293
David Hughes, TfL Investment Delivery Planning Director	ai	**137,720	29,073	-	1,308	168,101	32,477	182,275	40,970	224,951
Andrew Pollins, Transformation and Business Services Director	aj	**227,066	21,175	-	1,472	249,713	6,699	222,428	25,970	250,104
Paul Thomas, Head of Transport Systems, Deep Tube Upgrade Programme	ak	129,541	3,910	-	1,298	134,749	33,246	172,458	5,100	179,264
David Wylie, Chief Procurement Officer	al	28,333	10,000	116,962	291	155,586	7,339	171,058	25,500	198,264
Jeremy Bates, Head of Assurance, Crossrail	am	96,282	67,320	-	956	164,558	17,809	168,123	17,056	186,885
Paul Grammer, Commercial Director, Crossrail	an	20,366	-	77,541	140	98,047	-	243,200	18,323	263,229
David Hendry, Chief Finance Officer, Crossrail	ao	**189,547	-	-	-	189,547	-	**90,810	-	90,810

** Salary, fees and allowances include an allowance paid as a result of the individual opting out of part or all of the benefits provided by the TfL Savings for Retirement Plan or TfL Pension Fund. The allowance is paid at the rate of the employer contribution foregone, discounted by the employer rate of National Insurance to ensure no additional employer cost is incurred. It also includes an allowance available to employees on fixed-term contracts who choose to join a defined contribution scheme rather than the TfL Pension Fund

*** A number of senior employees opted out of the TfL Pension Fund during 2015/16. They are instead accruing equivalent benefits under an unfunded defined benefit pension scheme

**** Total remuneration for 2018/19 also includes benefits in kind as reported in last year's Statement of Accounts

af left service 31 July 2019

ag left service 28 June 2019

ah left service 28 July 2019

ai left service 3 January 2020

aj left service 7 February 2020

ak left service 1 January 2020

al left service 31 May 2019

am left service 22 October 2019

an left service 30 April 2019

ao left service 20 December 2019

3: Severance payments*

We have also published the number and cost of compulsory and voluntary severance termination packages agreed during the year. This is fully in line with the Code. Our policy on severance is found on page 55.

Termination payments disclosed in the tables below include Crossrail and are reported on a cash paid basis to provide certainty on the amounts reported, and include pension contributions in respect of added years, ex-gratia payments and other related costs.

	Group 2020 (number)	Group 2020 (£m)	Corporation 2020 (number)	Corporation 2020 (£m)
Non-compulsory exit packages (£)				
0 - 20,000	28	0.4	24	0.4
20,001 - 40,000	40	1.2	28	0.9
40,001 - 60,000	44	2.2	25	1.3
60,001 - 80,000	41	2.8	25	1.7
80,001 - 100,000	30	2.7	11	1.0
100,001 - 150,000	35	4.1	16	1.9
150,001 - 200,000	9	1.6	7	1.2
200,001 - 250,000	2	0.4	2	0.4
250,001 - 300,000	5	1.4	4	1.1
300,001 - 350,000	2	0.6	2	0.6
350,001 - 400,000	2	0.8	2	0.8
400,001 - 450,000	1	0.4	1	0.4
Total non-compulsory exit packages	**239**	**18.6**	**147**	**11.7**
Compulsory exit packages				
0 - 20,000	-	-	-	-
Total	**239**	**18.6**	**147**	**11.7**

	Group 2019 (number)	Group 2019 (£m)	Corporation 2019 (number)	Corporation 2019 (£m)
Non-compulsory exit packages (£)				
0 - 20,000	86	1.1	24	0.4
20,001 - 40,000	98	2.9	34	1.0
40,001 - 60,000	86	4.2	47	2.3
60,001 - 80,000	59	4.1	35	2.5
80,001 - 100,000	48	4.3	25	2.2
100,001 - 150,000	67	8.1	30	3.6
150,001 - 200,000	22	3.6	13	2.1
200,001 - 250,000	4	0.9	1	0.2
250,001 - 300,000	4	1.1	-	-
300,001 - 350,000	-	-	-	-
350,001 - 400,000	-	-	-	-
400,001 - 450,000	1	0.4	1	0.4
Total non-compulsory exit packages	**475**	**30.7**	**210**	**14.7**
Compulsory exit packages				
0 - 20,000	-	-	-	-
Total	**475**	**30.7**	**210**	**14.7**

* Information subject to audit

4: Representation of equalities groups at different pay levels as at 31 March 2020* **

	<£20,000		£20,001 to £30,000		£30,001 to £40,000		£40,001 to £50,000		£50,001 to £60,000		£60,001 to £70,000		£70,001 to £80,000		£80,001 to £90,000		£90,001 to £100,000		>£100,000	
	No	%	No	%	No	%	No	%	No	%	No	%	No	%	No	%	No	%	No	%
Gender																				
Female	14	52	513	35	2,097	35	1,271	26	1,533	17	451	16	187	16	88	20	44	24	41	26
Male	13	48	960	65	3,923	65	3,663	74	7,340	83	2,290	84	1,045	84	346	80	136	76	115	74
Total	**27**		**1,473**		**6,020**		**4,934**		**8,873**		**2,741**		**1,232**		**434**		**180**		**156**	
Ethnicity																				
Black, Asian and minority ethnic	10	37	678	46	2,392	40	1,639	33	2,829	32	616	23	233	19	56	13	17	9	13	8
White	14	52	504	34	2,335	39	2,679	54	4,905	55	1,764	64	850	69	313	72	136	76	129	83
Not stated	3	11	291	20	1,293	21	616	13	1,139	13	361	13	149	12	65	15	27	15	14	9
Total	**27**		**1,473**		**6,020**		**4,934**		**8,873**		**2,741**		**1,232**		**434**		**180**		**156**	
Disabled/Not disabled																				
Disabled	2	7	61	4	205	3	127	3	197	2	83	3	32	3	25	6	1	1	3	2
Not disabled	18	67	889	60	3,377	56	2,673	54	4,743	54	1,418	52	617	50	226	52	123	68	116	74
Not stated	7	26	523	36	2,438	41	2,134	43	3,933	44	1,240	45	583	47	183	42	56	31	37	24
Total	**27**		**1,473**		**6,020**		**4,934**		**8,873**		**2,741**		**1,232**		**434**		**180**		**156**	

* Excluding Crossrail and TfL apprentices

** Information not subject to audit

5: Board remuneration*

	For the year ended 31/03/20 (£)
Current Board Member	
Sadiq Khan	Not remunerated by TfL
Heidi Alexander	Not remunerated by TfL
Kay Carberry CBE	20,000
Professor Greg Clark CBE	19,000
Bronwen Handyside	18,000
Ron Kalifa OBE	20,000
Dr Alice Maynard CBE	18,000
Anne McMeel	20,000
Dr Mee Ling Ng OBE	20,000
Dr Nelson Ogunshakin OBE	19,000
Mark Phillips	18,000
Dr Nina Skorupska CBE	19,000
Dr Lynn Sloman	19,000
Ben Story	20,000
Members who have left during the year	
Val Shawcross CBE**	1,475

* Information subject to audit

** Left service 30 April 2019

*** Information not subject to audit

6: Trade union facility time***

The Trade Union (Facility Time Publication Requirements) Regulations 2017 place a requirement on relevant public sector employers to collate and publish, on an annual basis, a range of data on the amount and cost of trade union facility time within their organisation. Facility time is the provision of paid or unpaid time off from an employee's normal role to undertake trade union duties and activities as a union representative.

Within TfL the following trade unions are represented:

- TSSA
- RMT
- Prospect
- UNISON
- Unite
- PCS
- ASLEF

As at 31 March 2020, TfL had 857 members of staff who are elected as union representatives. These employees spent the following amount of their working hours on facility time:

Time (%)	Number of employees
0	-
1 - 50	776
51 - 99	41
100	40
Total	**857**

We allow representatives paid time off to carry out union duties and meeting these costs represents 0.4 per cent of our total wage bill.

Total cost of facility time (£m)	8.7
Total remuneration costs for all TfL employees (£m)	2,172.9
Percentage of pay bill spent on facility time (%)	0.4

We do not provide paid time off for representatives to carry out union activities. The above approach to paid time off, and the number of representatives for our 28,000 employees is in line with legislation guidelines from ACAS and agreements with the trade unions.

Statement of Accounts

Narrative Report and Financial Review

Overview

These are extraordinary times for TfL, for London, and indeed for the whole of the UK. Our purpose is to connect Londoners and all our communities by keeping London moving, working and growing to make life in our city better. The coronavirus pandemic (COVID-19) has challenged this over recent months, causing us to change our messaging, initially, to 'Stay at home' and 'Only travel if it is essential' and more recently to 'Stay alert'. Meanwhile, we have continued to provide a safe and reliable network of services to transport key workers, and, more recently, those who absolutely need to use public transport to travel to work. The safety of our colleagues and those using our services is our absolute priority and, working with the Mayor, we will continue doing all that we can to protect our staff and those critical workers who need to use our services. It is a matter of great sadness that a number of our colleagues have passed away owing to coronavirus. The incredibly important role that they have played for this city will be remembered by all of us forever.

The ongoing requirement to provide services, and to maximise capacity while observing the necessary social distancing measures, means, for us, a continued high level of relatively fixed operational costs, combined with a significant reduction in our fares and other income – the financial effects of which were already beginning to be felt in the last few weeks of the 2019/20 financial year. As set out in the Prospects, outlooks, principal risks and uncertainties section of this report, the impact on our 2020/21 revenues is expected to be severe and compounds the underlying financial challenges TfL was already facing in relation to the loss of the operating grant from central Government, the impact of a subdued national economy, and the delay to the opening of the Elizabeth line.

During 2019/20, TfL continued to make good progress towards its goal of turning a deficit on the net cost of operations into a surplus by 2022/23. Like-for-like operating costs were held to an increase of only one per cent against 2018/19 levels, below the level of inflation. This reflects our continued focus on cost savings while observing the need to maintain a safe and reliable network. The pressure on our revenues resulting from coronavirus, however, is so large that no amount of cost saving initiatives will be capable of making up the anticipated shortfall. As a consequence, and alongside seeking opportunities to further minimise our expenditure and maximise other sources of income, since the year end we have worked closely with the Government to secure additional support to alleviate the financial impact of the pandemic on our operations while supporting the safe restart of the Capital's transport system.

We have made use of the Government's Coronavirus Job Retention Scheme, initially furloughing 7,000 employees across the organisation to mitigate our costs. We have also secured an extraordinary funding and financing package from the Secretary of State which gives TfL access to £1.6bn of funding for an initial Support Period until 17 October 2020, to support its operational activities. At that point in time, as the longer-term impact of the coronavirus outbreak becomes clearer, agreement of a further, medium-term funding package is planned, to secure TfL's ability to continue to operate and support London and the UK through the pandemic and into economic recovery.

Meanwhile, we have continued to support the Government's efforts to stop the spread of coronavirus and mitigate the financial impact of the lockdown for Londoners. As set out later in this report, steps we have taken range from granting a three-month rental holiday to all small and medium enterprises for whom we are the landlord, to temporarily suspending our road user charging schemes in the early part of lockdown. From a safety perspective we implemented middle door-only boarding of buses to reduce the risk of our drivers contracting the virus from passengers until additional safety measures could be put in place. We also rolled out the use of a new anti-viral cleaner that kills viruses and bacteria on contact across all our services.

TfL has continued delivering essential transport services supporting the crisis response and is committed to partnering with the Government over the coming months and years to drive economic recovery and growth.

Summary of financial performance

In 2019/20, we continued our strong track record of delivering our financial strategy. We once again kept a tight control over our operating expenditure. Like-for-like operating costs at £5,644m for the year came in at £173m below the level experienced in 2015/16 when we first began our savings programme. Over 2019/20, we have worked in consultation with our trade unions to review 25 business areas and more than 3,000 roles. Overall, operating costs rose only slightly against the prior year, from £7,561m in 2018/19 to £7,739m – the increase reflecting the incremental costs of preparations for the opening of the Elizabeth line, the commencement of the new Ultra Low Emission Zone (ULEZ) in April 2019, and additional services on TfL Rail. We also recognised a further £19m of exceptional costs relating to the Safe Stop of certain capital investment projects as a result of the coronavirus outbreak.

On the revenue side, our performance has been more mixed. Demand across all our modes of transport was better than anticipated in the first half of 2019/20. However, we saw a sharp deterioration in demand towards the end of 2019, which was consistent with the poor Christmas retail performance on the high street. This trend showed signs of improvement in January, but from February our passenger revenues began to see an adverse impact from changing travel patterns as a result of the emerging pandemic. For the full year, fares income fell 2.1 per cent during the year from £4,854m in 2018/19 to £4,751m in 2019/20.

An increase in non-fares revenues, from £802m in 2018/19 to £1,011m, primarily reflected the launch of the Ultra Low Emission Zone in April 2019, which resulted in a fall in roadside nitrogen dioxide pollution by 36 per cent in the zone in the first six months, compared to 2017 levels.

The combined impact of the above has resulted in an increase in the net cost of services for the year to £1,977m, 3.8 per cent worse than 2018/19's total of £1,905m.

Narrative Report and Financial Review (continued)

In 2019/20, our financing and investment income reduced from £149m to £109m, reflecting a reduction in the level of profits realised on the sale of investment properties, only partially offset by higher gains recognised on the revaluation of investment properties during the year.

Financing and investment expenditure increased during the year from £475m to £520m owing to higher levels of interest payable on our leasing arrangements as a result of our adoption of the new lease accounting standard, IFRS 16 Leases, in 2019/20. The application of IFRS 16 has no impact on our underlying cashflows but acts to replace operating lease charges, previously included within operating expenditure, with an amortisation charge in respect of right-of-use assets (recognised as a component of operating expenditure) and a financing charge, which is recognised within financing and investment expenditure, in our Statement of Comprehensive Income and Expenditure. Smaller increases were seen in relation to the interest charge on borrowings and in relation to the net interest payable on the Group's defined benefit pension obligation.

Grant income, at £3,268m, was £253m above 2018/19 levels, reflecting additional Crossrail funding received from the Greater London Authority (GLA). The share of losses from our associated undertakings and joint ventures reduced from £95m in 2018/19 to £52m in 2019/20.

These items combined with a deferred tax charge of £107m, relating to the revaluation gains on investment properties, to give an overall surplus on the provision of services after tax for the year of £671m – slightly above the prior year surplus of £659m.

After reserves transfers, this translated to a reduction in usable reserves from £1,627m as at 31 March 2019 to £1,604m at 31 March 2020, below the 2019/20 forecast published in our December 2019 Business Plan. This was primarily owing to the impact of coronavirus in March 2020. As already highlighted, in the absence of the additional support agreed with government, the negative impact of coronavirus on our future reserves would be considerably greater than that seen in 2019/20.

The level of capital works undertaken fell during the year to £2,724m, 21.4 per cent below the prior year total of £3,467m. In addition to £452m of capital spend on renewals works, this included investment of £1,026m on the Crossrail project. Other significant investment projects which progressed in the year included the Four Lines Modernisation project, the Northern Line Extension, major station improvement works, and the design and planned construction of Piccadilly line rolling stock.

Funding sources

Our activities are funded from four main sources:

- Passenger fares income – historically this has been the largest single source of our income
- Other income, including commercial activity and income from the Congestion Charge
- Grant income, including a share of London Business Rates passed down to TfL from the GLA
- Prudential borrowing (the amount and profile of which has been agreed to 2020/21 with central Government in the March 2017 Funding Agreement) and cash reserves

The annually published TfL Business Plan is financially balanced, with planned funding sources sufficient to meet planned expenditure. Short-term timing differences between expenditure and funding are managed through transfers to or from our cash reserves. Work is currently ongoing within TfL and through discussions with the DfT to examine how previous planned activity and funding plans will need to change to ensure that we are able to continue to balance our Business Plan in a post-coronavirus operating environment.

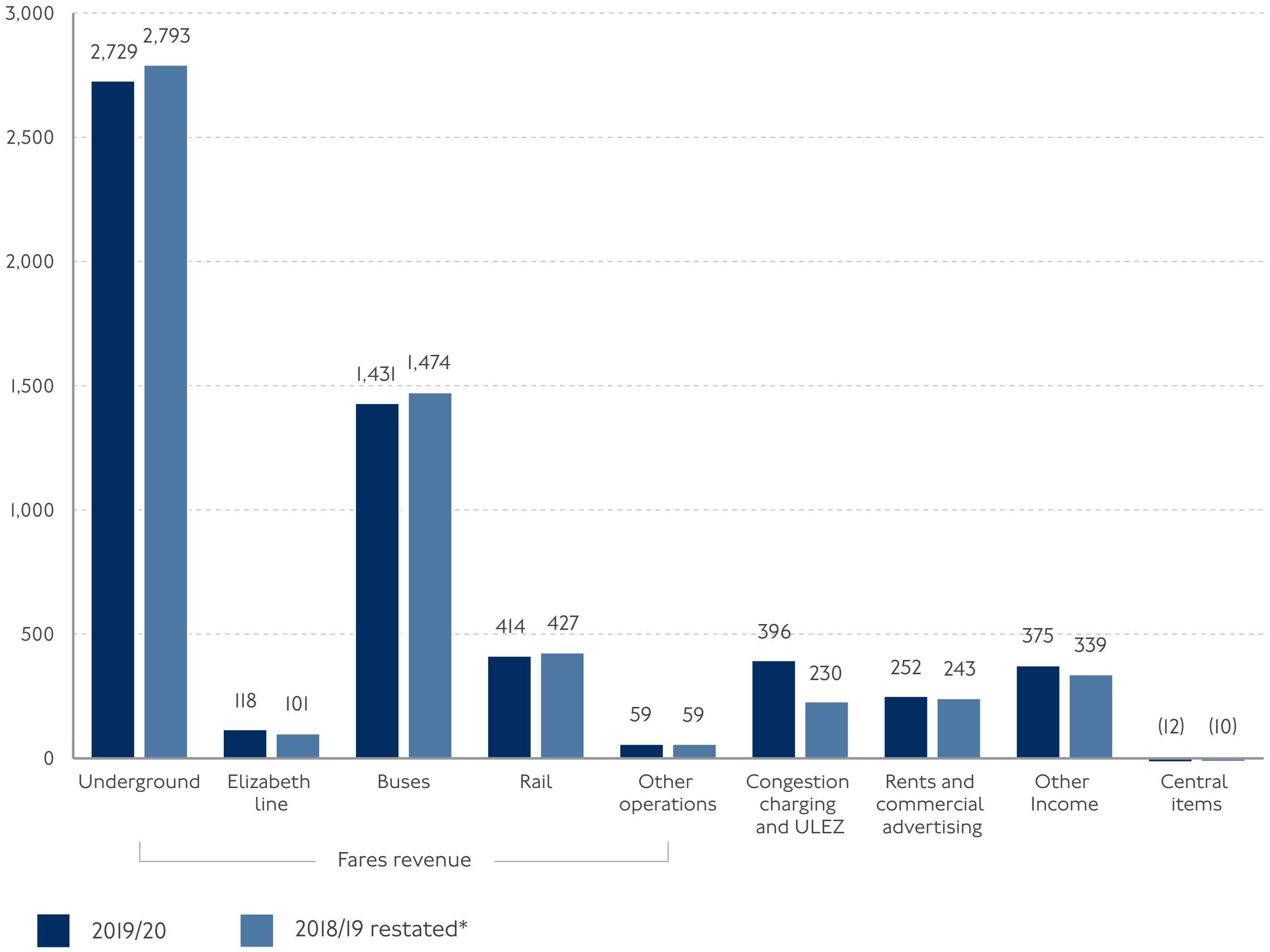
Narrative Report and Financial Review (continued)

Gross income

Total gross income increased by 1.9 per cent from £5,656m in 2018/19 to £5,762m in 2019/20, driven by increased road user charges as ULEZ charging came into force during the year.

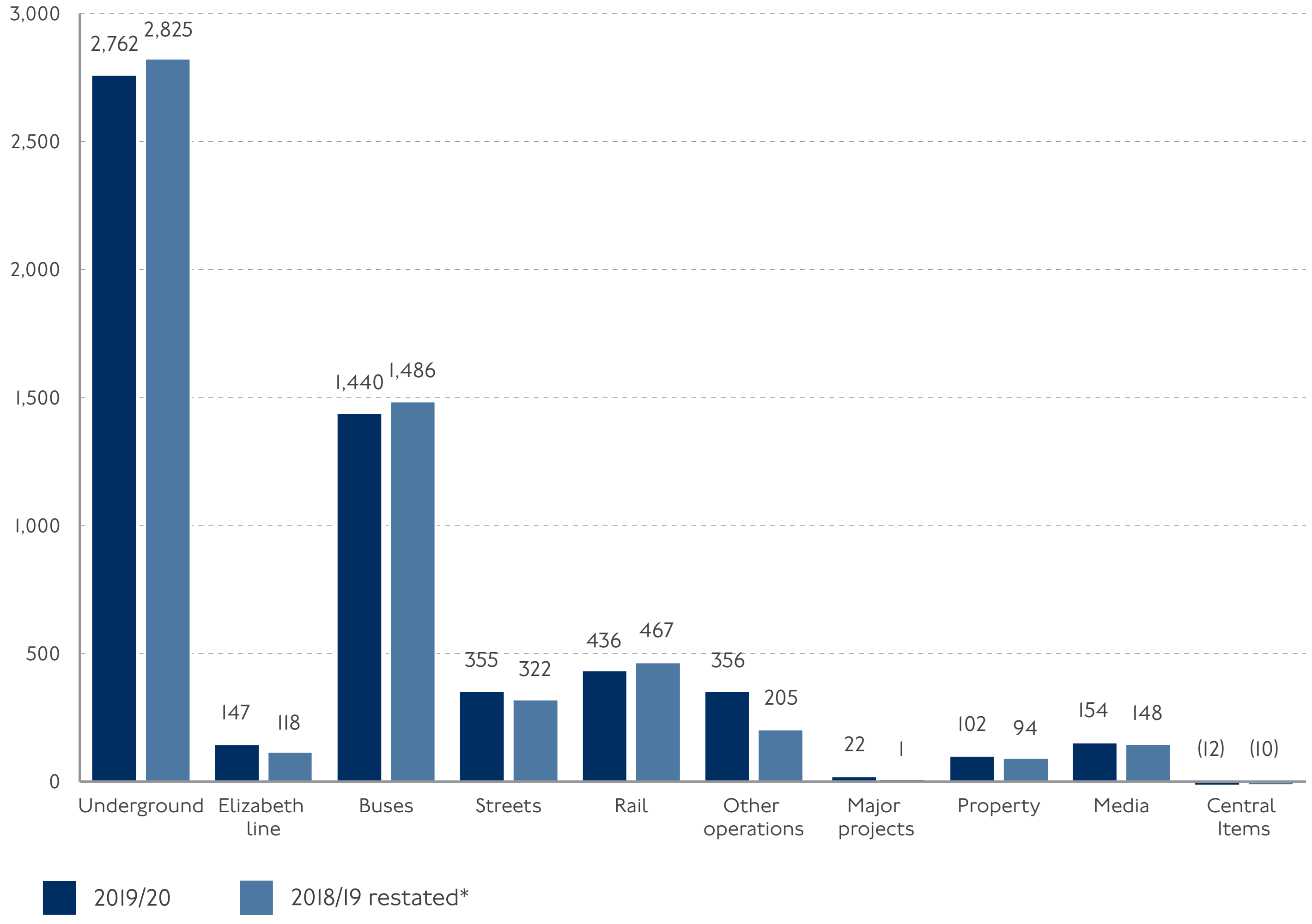
Within this overall total, however, TfL's primary source of gross income came from passenger fares income, which represented 82.4 per cent of all revenue generated. Fares income fell during the year from £4,854m in 2018/19 to £4,751m in 2019/20, reflecting the impact of coronavirus in March 2020, which compounded an underlying reduction in demand growth on the Underground and buses seen throughout the year. As well as falling demand, price increases were also kept low. TfL fares decisions are taken annually by the Mayor whose decision for 2020 was to again freeze fares in line with his policy for his four-year term. As with previous years, Travelcard increases and associated caps are set in agreement with the train operating companies under fares regulations set by the Government. These increased on average by 2.8 per cent from 1 January 2020 – in line with the 2.8 per cent annual increase in the Retail Prices Index in the benchmark month of July 2019.

Gross income breakdown by type (£m)



* Figures for 2018/19 have been restated to align with a revised internal management structure

Total gross income by operating division (£m)



* Figures for 2018/19 have been restated to align with a revised internal management structure

Narrative Report and Financial Review (continued)

Total gross income for the Underground was £2,762m, £63m (or 2.2 per cent) below 2018/19 levels, primarily reflecting the impact of coronavirus travel restrictions implemented in March 2020. Underlying passenger demand growth was positive for the first three quarters of the year, albeit lower than budgeted. However, passenger journey volumes for the full year fell from 1,384 million in 2018/19 to 1,337 million in 2019/20 – a 3.4 per cent reduction. Approximately 80 per cent of this adverse variance was attributable to coronavirus, with the remainder owing to the bad weather conditions in February and a slowing in demand growth from the end of October.

Average yield per journey improved from £2.02 per journey in 2018/19 to £2.04 in 2019/20. This was partly due to the increase in average fares for National Rail in January 2019 which has an impact on a proportion of TfL tickets, including Travelcards.

Gross income for the Elizabeth line division (currently operating as 'TfL Rail') increased by 24.6 per cent from £118m in 2018/19 to £147m in 2019/20, despite the impact of coronavirus. Within this total, passenger income increased from £101m to £118m, reflecting the Paddington to Reading services that commenced in December 2019 and the full-year effect of the Paddington to Hayes & Harlington and Heathrow services.

Income from Buses fell 3.2 per cent from £1,486m in 2018/19 to £1,440m in 2019/20. Passenger income at £1,431m was £43m adverse to the prior year, owing to the impact of coronavirus which reduced passenger demand in March by an estimated 68 million passenger journeys.

Total passenger journeys for the year fell 4.9 per cent to 2,112 million in 2019/20 from 2,220 million in 2018/19. Underlying passenger journeys declined by 4.4 per cent. However, due to an improvement in yield, and after adjusting for the impact of coronavirus, passenger income was broadly in line with 2018/19. The average yield increased from £0.66 per journey in 2018/19 to £0.68 in 2019/20.

Streets' income at £355m was £33m higher than 2018/19 levels because of changes made to the Congestion Charge scheme to remove the private hire vehicle (PHV) exemption. The increase was approximately £10m lower than had been expected owing to a reduction in Congestion Charge volumes and the suspension of road user charging in March 2020 because of the coronavirus pandemic.

In the Rail division, total income was £31m below prior year levels. Within this, passenger income was £13m below 2018/19 owing to the impact of coronavirus. Underlying performance remained broadly in line with the prior year as the division suffered lower growth than anticipated from the new London Overground trains and saw fewer passenger journeys on the DLR. In total, passenger journeys on the Overground fell to 187.1 million from 189.5 million, while journeys on the DLR fell from 121.9 million in 2018/19 to 116.8 million in 2019/20.

Income from Other operations (which comprises a broad range of activities including taxi licensing, Dial-a-Ride services, London River Services, Emirates Air Line, cycle hire and the Victoria Coach Station), rose by 73.7 per cent from £205m in 2018/19 to £356m in 2019/20. Within this total, passenger income remained static at £59m. Other operating income, however, rose by £151m – primarily reflecting the introduction of ULEZ in April 2019.

Within the other divisions, Media saw a 4.1 per cent increase in revenues to £154m in 2019/20, following the deployment of higher quality, higher impact digital advertising. Major projects saw an increase in income from £1m in 2018/19 to £22m in 2019/20; and Property saw an 8.5 per cent increase in revenues from £94m to £102m.

Government grants and other funding

The main source of grant income for 2019/20 was funding received from the GLA as part of local authority devolved arrangements. The Mayor retains a share of London's business rates and then allocates a proportion of this to TfL as a resource grant. Other sources of grant income include specific capital grants from the Department for Transport (DfT) and the GLA for the Crossrail project and other projects, such as the Northern Line Extension.

The total of resource and capital grants receivable by TfL in 2019/20 amounted to £3,268m (2018/19 £3,016m).

Narrative Report and Financial Review (continued)

Prudential borrowing

The table below summarises movements in the value of borrowings during the year.

Movement in borrowing (£m)

Opening borrowing at 1 April 2019 per the accounts	11,145
Export Development Canada (EDC) loans – £100m due in 2030	100
Public Works Loan Board (PWLB) loans – five tranches borrowed totalling £516m due between 2021-2059	516
Issuance of rolling short-term Commercial Paper	25
Scheduled repayments on PWLB and European Investment Bank (EIB) loans	(96)
Fair value movements, issue premia/discounts and fee adjustments	(1)
Closing borrowing at 31 March 2020 per the accounts	**11,689**

The authorised limit for direct borrowings for the Corporation set by the Mayor for 2019/20 was £13,490.0m.

At 31 March 2020, TfL had one committed facility with EDC that was not fully drawn and is expected to be fully utilised over the next year.

In addition to these sources of financing, other sources include Private Finance Initiative contracts (PFIs) (note 28 to the accounts) and other leasing arrangements which are discussed in more detail in note 14 to the financial statements.

Narrative Report and Financial Review (continued)

Uses of funding

Gross expenditure

Gross expenditure, which includes day-to-day operating costs as reported to management (see note 2 to the financial statements) and Central statutory reporting items (including depreciation and amortisation) increased by 2.4 per cent from £7,561m in 2018/19 to £7,739m in 2019/20. Excluding these Central items, expenditure increased by 1.9 per cent from £6,295m to £6,415m.

The level of operating costs reflected our continued focus on cost savings while observing the need to maintain a safe and reliable network. Year-on-year increases were driven by growth in Elizabeth line costs, the costs of the new ULEZ scheme and a one-off payment made to bus operators.

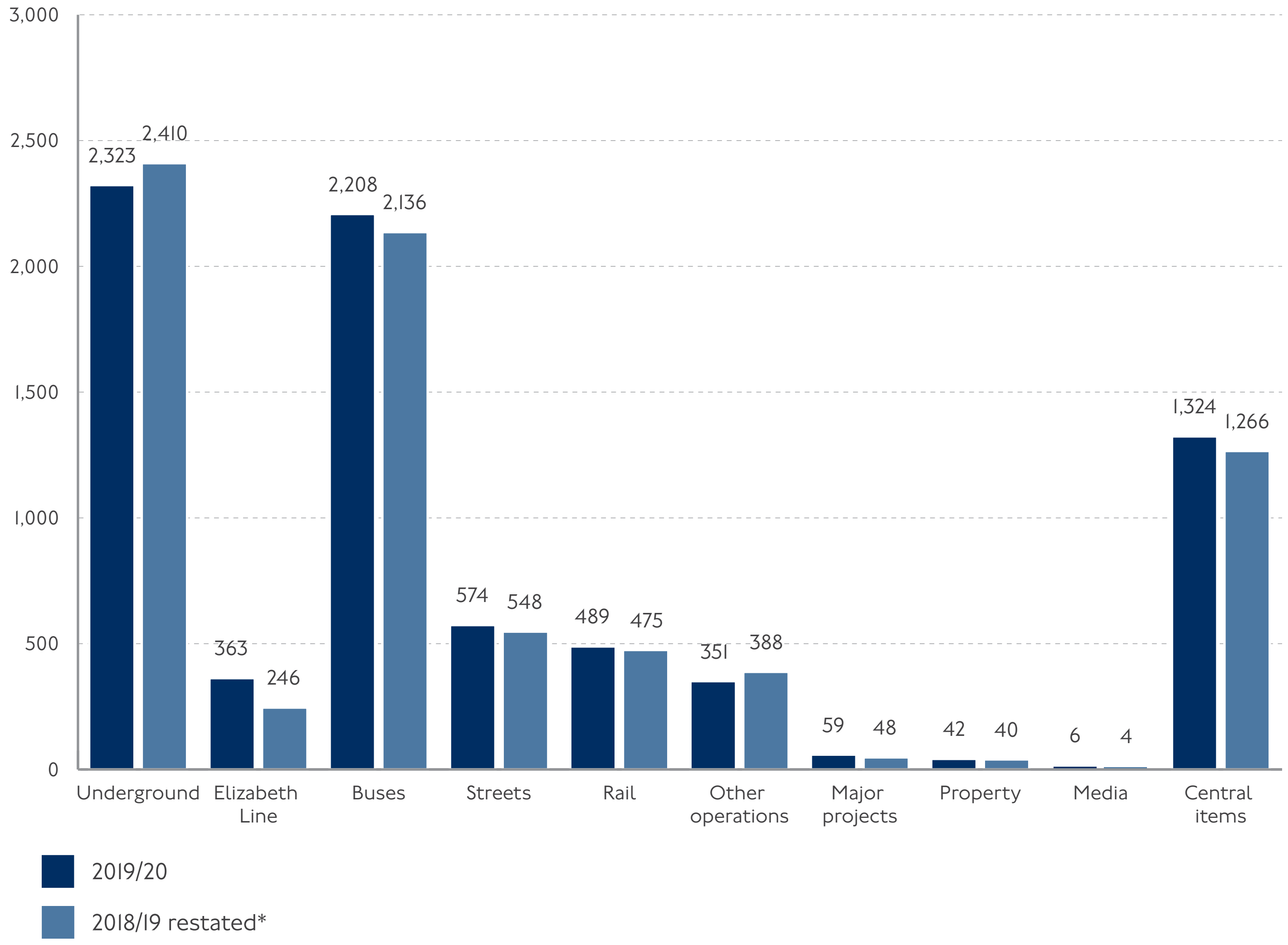
Year-on-year costs of operations (£m)

	2020	2019
Cost of operations per internal management reports	**(6,415)**	(6,295)
Adjust for one-off items incurred	35	135
Adjust for investment programme operating costs included in operating expenditure	284	333
Adjust for Elizabeth line operating cost increases	354	237
Adjust for other new services (ULEZ and new London Overground trains)	64	-
Adjust for one-off bus operators' payment	34	-
Cost of operations (like-for-like basis)	**(5,644)**	(5,590)
Year-on-year increase	**54**	
Year-on-year percentage increase	**1.0%**	

Cost control initiatives continued throughout the year as we worked towards our target of turning a deficit on the net cost of operations into a surplus by 2022/23. The one per cent year-on-year increase in like-for-like cost of operations was primarily a reflection of inflation within the bus operators' contracts.

In 2019/20, one-off items included £28m of costs relating to additional cleaning and Safe Stop of construction projects attributable to our coronavirus response. One-off items in 2018/19 included costs relating to TfL's restructuring programme and a £70m pension recovery plan payment.

Gross expenditure by operating division (£m)



* Figures for 2018/19 have been restated to align with a revised internal management structure

On the Underground, costs fell by £87m (3.6 per cent) in the year, reflecting a continued drive to achieve cost savings while maintaining a safe and reliable network.

Operating expenditure on the Elizabeth line rose by £117m compared to 2018/19, owing to the costs of operating the new Elizabeth line rolling stock, combined with increased charges paid to Network Rail and increased concession costs reflecting the expanded service provision.

The cost of operating the Bus division increased by 3.4 per cent from £2,136m in 2018/19 to £2,208m, primarily owing to the annual contracted price inflation within the bus operators' contracts, which resulted in a year-on-year cost increase of £57m. The remainder of the increase included

Narrative Report and Financial Review (continued)

the costs of a new bus driver retention payment scheme introduced in March 2020, funded by the Mayor through an additional business rates grant, under which drivers are eligible to receive a payment of £1,000 after completing two years of service and a further £600 after their third year.

Within Streets, expenditure increased from £548m in 2018/19 to £574m in 2019/20. This reflected the increased costs of road user charging owing to the withdrawal of the discount for private hire vehicles, combined with increased levels of credit loss provisioning owing to the expected collection impacts from coronavirus on road user debtor balances.

Operating expenditure for the Rail division grew by 2.9 per cent from £475m in 2018/19 to £489m in 2019/20. The increase reflected contractual inflation and higher track access costs. Costs for Other operations, meanwhile, reduced to £351m for 2019/20 from £388m in 2018/19. A one-off £70m pension recovery plan payment made in 2018/19 was not quite matched by the increased costs of running the ULEZ scheme in 2019/20. As well as costs in respect of ULEZ, London Dial-a-Ride, London River Services, London Taxi and Private Hire, Santander Cycles, Victoria Coach Station and Emirates Air Line, spend in this category also included the costs of the Crossrail 2 project team and the City Planning team.

In the Major projects division, costs rose from £48m in 2018/19 to £59m in 2019/20 as a result of increased expenditure on non-capitalisable projects. Operating expenditure in the Property and Media divisions was in line with the prior year at £42m in 2019/20 for Property versus £40m in 2018/19, and £6m for Media versus £4m in 2018/19.

Operating costs within Central items increased from £1,266m in 2018/19 to £1,324m in 2019/20. As set out in note 2, these costs represent items not included in internal management reporting. The most significant line item within this balance comprises depreciation, amortisation and impairment charges recognised in relation to property, plant and equipment, and intangible assets. The total of these charges increased from £1,064m in 2018/19 to £1,069m in 2019/20. The Central items category also absorbs the difference between the accounting methodologies used in the statutory versus the management accounts. The most significant of these relate to the treatment of defined benefit pension schemes, and to the treatment of former operating lease payable arrangements. In our management accounts the costs of these items are recognised within operating expenditure based on cash flows, whereas in the statutory financial statements, as set out in the Accounting Policies notes to the accounts, IFRS 16 Leases and IAS 19 Employee Benefits are applied.

Net interest and finance income/charges

Gross financing and investment expenditure for the year was £520m, £45m above the prior year.

Within this overall total, interest payable on direct borrowings increased by 1.9 per cent from £414m to £422m. This increase reflected a full year of interest costs on borrowings of £728m raised in 2018/19, coupled with the impact of the £545m increase in borrowings during 2019/20. As at 31 March 2019, TfL had a nominal £11.175bn of borrowings, of which approximately £0.7bn was short-term borrowing under the Commercial Paper programme. The weighted average interest rate was 3.59 per cent and the borrowings had a weighted average remaining life to maturity of 19.4 years. As at 31 March 2020, the nominal value of borrowings outstanding had increased to £11.720bn, of which £0.7bn was short-term Commercial Paper. The weighted average interest rate was 3.48 per cent and the borrowings had a weighted average life to maturity of 18.1 years.

Interest payable on borrowings was offset, to a degree, by the amount of interest capitalised into the cost of qualifying property, plant and equipment. Interest capitalised in 2019/20 totalled £109m (£104m in 2018/19).

Interest payable on leases, including contingent rentals in respect of PFIs, increased from £46m in 2018/19 to £82m in 2019/20, primarily reflecting the impact of the application of the new accounting standard, IFRS 16 Leases, from 1 April 2019. The implementation of this standard resulted in the recognition of new right-of-use lease liabilities on 1 April 2019 totalling £1,768m (see note 45). New rolling stock leases recognised in relation to the delivery of trains on the London Overground and the Elizabeth line during the year has augmented this total such that the balance of right-of-use lease liabilities outstanding as at 31 March 2020 was £2,417m. The Group's net interest expense in respect of its defined benefit pension scheme obligations increased from £113m in 2018/19 to £123m in 2019/20.

Gross financing and investment income totalled £109m, a reduction of £40m from 2018/19. The reduction resulted from lower levels of gains from the disposal of investment properties, which fell from £132m in 2018/19 to £32m in 2019/20, reflecting the disposal of fewer Crossrail over-station development sites during the year. Partially offsetting this was an increase in gains on the revaluation of our investment properties. During the year a consolidated commercial property portfolio was formed through the transfer of existing assets, and the creation of new lease structures which allowed the recognition of a large number of new investment property assets. This is a vehicle to deliver homes under the Mayor's Transport Strategy, and a growing sustainable income stream, as well as to facilitate the ability to generate both debt and equity to fund capital requirements. As a consequence, gains recognised within financing income, representing gains on existing investment properties, increased from £5m in 2018/19 to £59m in 2019/20. Further revaluation gains of £740m (net of deferred tax), arising from the first time recognition of the newly created investment property assets, were recognised in other comprehensive income.

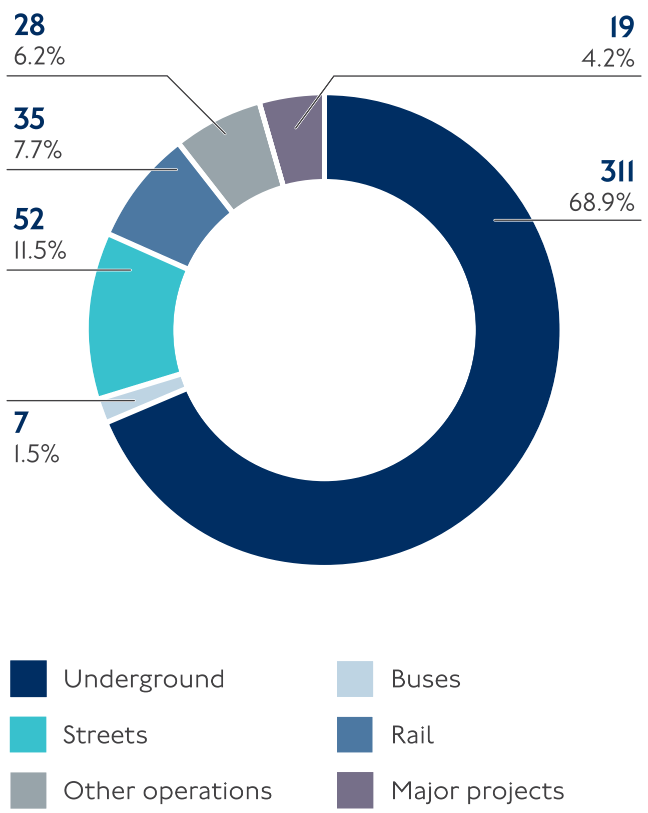
Interest receivable on finance leases held in respect of advertising assets rose from £2m in 2018/19 to £3m in 2019/20 reflecting TfL's increased investment in new technology. Similarly, investment returns on cash and other investment balances rose during the year, from £10m in the prior year to £15m in 2019/20, reflecting higher average cash balances during the year.

Narrative Report and Financial Review (continued)

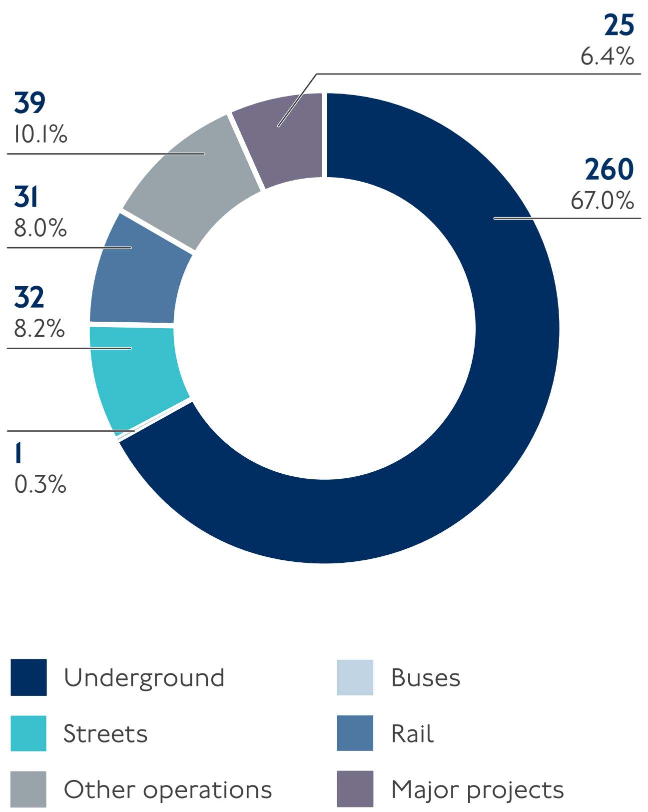
Capital expenditure by business area, excluding Crossrail (£m)
Group capital expenditure for the year, including Crossrail, totalled £2,724m (2018/19 £3,467m). Non-Crossrail related expenditure totalled £1,698m (2018/19 £2,078m). Within this total £452m was spent on capital renewals (2018/19 £388m) and £1,246m (2018/19 £1,690m) was spent on new capital investment.

As part of the coordinated TfL response to coronavirus, capital programmes ceased non-essential site works at the end of March 2020. Non-site activity continues while we prepare for restarting site works as soon as it is safe to do so.

Capital Renewals 2019/20 £m
Total £452m

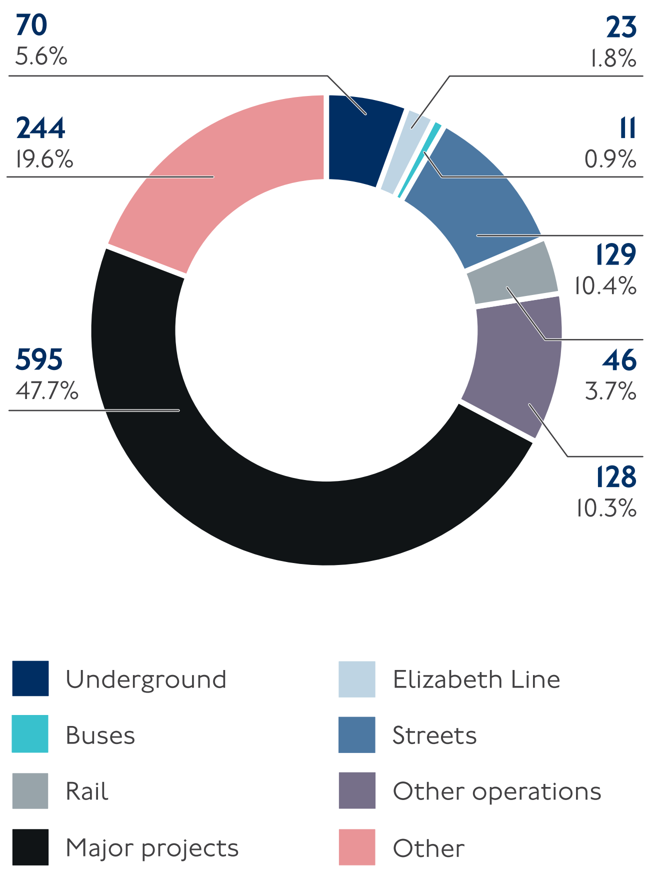


Capital Renewals 2018/19* £m
Total £388m

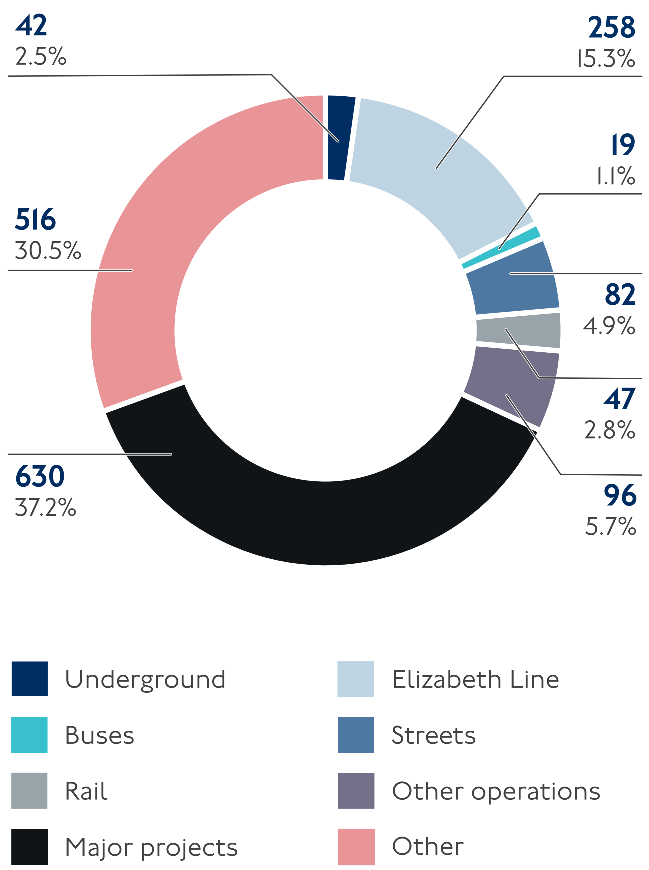


* Figures for 2018/19 in the charts above have been restated to align with a revised internal management structure

New Capital Investment 2019/20 £m
Total £1,246m



New Capital Investment 2018/19* £m
Total £1,690m



* Figures for 2018/19 in the charts above have been restated to align with a revised internal management structure

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On the Underground, capital expenditure totalled £381m, up from £302m in 2018/19. This included £70m of new capital investment in addition to £311m of renewals spend.

Mill Hill East was made step-free in February of this year, with more stations expected to become step-free by the end of the calendar year 2020 as a part of the Mayor's step-free access initiative.

On the Jubilee line, all 63 trains have been refurbished and are back in service. The refurbishments include a wheelchair area, new flooring and refreshed exteriors and interiors.

We replaced more than 9.1km of new track across the Underground network, exceeding our target of 7.8km, which will continue to improve reliability, reduce maintenance costs and increase capacity. Two new cranes required for track work in tunnels arrived at the Ruislip Depot in November. The cranes are now being tested and are expected to be in service later in 2020, enabling us to complete more work overnight and at weekends.

In addition, we opened a new entrance at Finsbury Park station to the public in December 2019 and our work on the City Road Heat Exchanger was completed, helping to generate hot water for social housing in Islington using the heat from our tunnels. Projects to increase capacity and improve the experience of our customers continue at stations across the network.

On the Elizabeth line, capital investment expenditure of £23m was incurred, primarily in relation to station improvements. Expenditure in 2018/19 included rolling stock production costs prior to the sale and leaseback of the fleet.

Total capital expenditure within the Buses division of £18m in 2019/20 is comparable to the £20m spend in 2018/19. The nature of capital expenditure changed year-on-year as the focus turned to the procurement of zero emission, single-deck buses and the development of new on-board performance management and passenger information systems.

Within the Streets division, £181m was spent on capital projects compared to £114m in 2018/19. This comprised £52m of renewals expenditure, in addition to £129m on new capital investment projects. Capital costs increased compared to the prior year, owing to the delivery of cycling and other road schemes. The focus is on reducing the number of people killed or seriously injured while using London's roads and promoting healthy travel choices, such as walking and cycling.

Capital expenditure in Rail totalled £81m in 2019/20. Within this total, new capital investment, at £46m, continued at previous years' levels. Works included station enhancements, on both London Overground and DLR routes, designed to increase capacity, relieve congestion and improve accessibility. White Hart Lane station was upgraded with an improved look, and unveiled in August 2019. Construction continued throughout the year on the capacity enhancement project at Custom House station to provide an improved interchange with the new Elizabeth line station.

Capital expenditure of £156m for the year in Other operations comprised £128m of new capital investment in addition to £28m of renewals expenditure. Within new capital investment, work continued on the Emergency Services Network project and the mobile network project – projects aiming to deliver 4G mobile communications capability throughout the network, including on the London Underground.

The Major projects directorate is responsible for our largest and most complex projects. It handles line upgrades, the Deep Tube Upgrade, network extensions and major station upgrades and capacity improvements. Capital expenditure in the directorate totalled £614m in 2019/20, including £595m of new capital investment. Significant progress was made on key projects, with 30 of 34 tier one strategic milestones delivered.

Within this overall total, £240m was spent on the Four Lines Modernisation project. This project seeks to transform some of the world's oldest underground lines into a high performing, modern railway. Following the introduction of 192 new, larger, walkthrough trains across the Circle, District, Hammersmith & City and Metropolitan lines in 2018/19, we are in the process of replacing and improving outdated signalling, power and depot assets. Commissioning of the Second Signalling Migration Area between Latimer Road and Euston Square on the Circle and Hammersmith & City lines, and from there to Finchley Road on the Metropolitan line, and to Paddington on the District and Circle lines, was completed on 31 August 2019. Capacity on these lines is expected to increase by 33 per cent once the upgrade is complete in 2023.

A further £60m was invested in relation to the designed and planned construction of Piccadilly line rolling stock. In November 2018, we signed a £1.5bn contact with Siemens to design and build a new fleet of Piccadilly line trains. Following the award of the contract, Siemens have been developing concept designs for the new trains. These were presented to the Independent Disability Advisory Group and the Accessibility Stakeholder Forum during the year and received positive feedback.

£174m was spent during 2019/20 on the Northern Line Extension. Running from Battersea Power Station to Kennington via Nine Elms, the extension will bring Battersea and the surrounding area within 15 minutes of the City and the West End, supporting the creation of around 25,000 jobs and more than 20,000 new homes. In June 2019, the final piece of track was installed which has allowed engineering trains to travel end to end through the 3.2km extension to Battersea for the first time. The UK Power Networks (UKPN) transformer rooms have been energised at Kennington Green and Kennington Park. Achieving UKPN power-on is a key step towards getting the Northern Line Extension operational.

The construction of new stations at Battersea and Nine Elms also progressed. At Battersea Power station all platform surfaces are tiled, and the trackside acoustic panelling has been fitted. Escalators have been installed and are going through functional testing. The Northern Line Extension project won gold for the Battersea and Kennington sites and silver for Nine Elms at the Considerate Constructors Scheme National Site Awards. It was also awarded the Royal Society for

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the Prevention of Accidents' gold award for the third consecutive year. The extension is expected to open in 2021.

£94m was invested in the Major stations upgrade programme. During the year, works progressed at Bank station to improve access, circulation and interchange with the aim of increasing capacity by 45 per cent. Construction of a new triple escalator tunnel to serve the DLR was commenced and by 31 March 2020 a new escalator barrel had been connected to the Central line via the final two cross passages. This is expected to reduce connection times from the Central line to the Northern line and DLR.

On 11 December 2018, TfL's Programmes and Investment Committee granted authority to procure 43 DLR trains to increase capacity and to replace approximately 60 per cent of the existing fleet (33 trains) and to start the associated enabling works. Following an extensive period of review and negotiation, a contract for the supply of the next generation of DLR trains was awarded to Construcciones y Auxiliar de Ferrocarriles S.A (CAF) of Spain in June 2019. At Beckton depot, phase one on-site enabling works have been completed, tenders have been received for the southern sidings build package and the new maintenance facility building detailed design package has commenced.

On the Silvertown Tunnel, following an extensive tender process, the design, build, finance and maintenance contract was awarded to the RiverLinx consortium on 21 November 2019. We are in discussion with third parties to put in place the relevant agreements for land access and continue to monitor existing structures and noise levels ahead of the construction phase.

Other projects progressed by the Major projects division included the London Overground extension between Gospel Oak and Barking to serve a new station at Barking Riverside. Barking Riverside is the largest housing development in east London, with planning permission for up to 10,800 new homes. Train services are expected to start from Barking Riverside station in 2022.

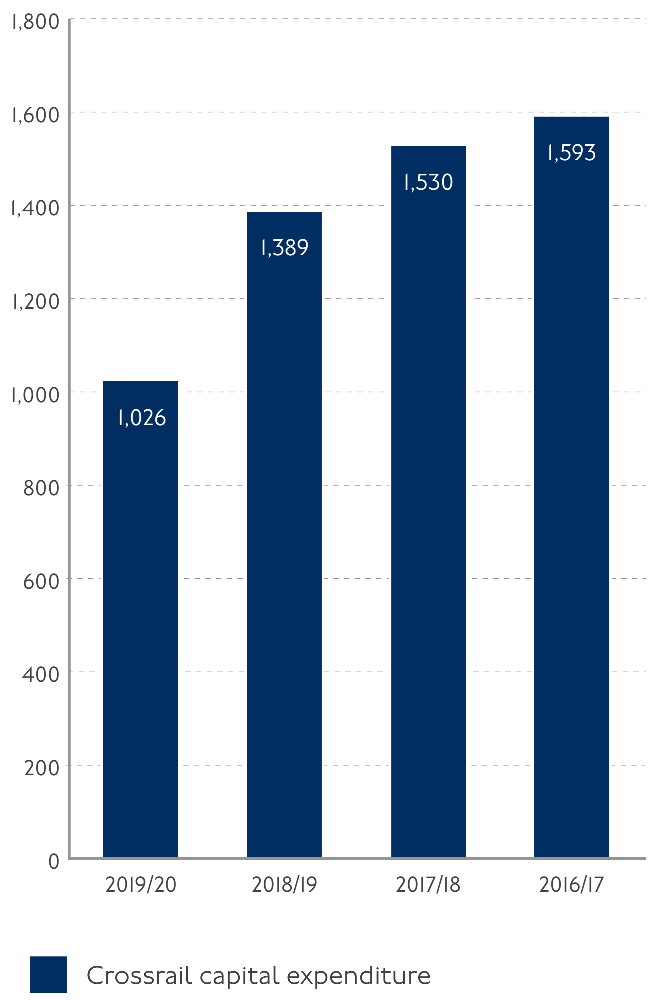
New capital investment in the 'Other' category, totalling £244m, included expenditure of £79m within the Property division. During 2019/20 we submitted planning applications for 456 homes next to Wembley Park Tube station with our partner Barratt London. This site will provide train crew accommodation and office space for more than 200 people. Development of new buildings will create modern, sustainable office space alongside hundreds of net-zero carbon homes.

Alongside our partner Catalyst Housing, we submitted applications for 400 affordable homes at Stanmore and Canons Park. This site, if approved, will provide step-free access to Stanmore station via a new lift.

We have also submitted planning applications for 1,300 homes across our two sites at Bollo Lane near Acton Town station and at Southall. Our proposals for Bollo Lane include 875 homes, 50 per cent of which will be affordable, and a new green corridor creating a safe pedestrian walkway between Acton Town and Chiswick Park. Southall is the first submitted site by our partners, Connected Living London, to deliver 440 high quality rental homes, of which 40 per cent will be affordable.

Also included within the 'Other' category is the cost of interest capitalised in relation to qualifying assets during the year, totalling £109m.

Crossrail capital expenditure (£m)



During the year, £1,026m was spent on the Crossrail project. On 30 August 2018, Crossrail Ltd, a subsidiary of the TfL Group, formally notified its Sponsors (the DfT and TfL) that there was insufficient time remaining to introduce Stage 3 Elizabeth line services through the central section in December 2018, as further time was required to complete the railway. A new leadership team was subsequently put in place along with a new governance structure. A robust and realistic high-level plan to deliver the rest of the project was published on 25 April 2019.

On 10 December 2018, TfL announced a financing package provided by the DfT, the GLA and TfL, to support the final stages of the Crossrail project and to open the Elizabeth line to passengers. TfL subsequently confirmed, on 18 September 2019, a range of risk contingency contained in Crossrail Ltd's cost forecasts reflecting project uncertainties. These projections showed a central cost forecast of approximately £400m more than the funding committed under the financing package. TfL has agreed with the DfT that the financing package will remain in place while discussions are ongoing regarding how funding of these additional costs will be resolved.

Crossrail Ltd advised on 8 November 2019 that their latest assessment is that the opening of the central section will not occur in 2020, which was the first part of the previously declared opening window. The Elizabeth line would open as soon as practically possible in 2021 and a more comprehensive update would be provided in early 2020. On 10 January 2020, Crossrail Ltd issued an update on progress to complete the Elizabeth line and confirmed

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that it plans to open the central section in summer 2021. Crossrail Ltd expects that following the opening of the central section, full services across the Elizabeth line route from Reading and Heathrow in the west to Abbey Wood and Shenfield in the east will commence by mid-2022. This latest assessment by Crossrail Ltd of the opening dates is within the range of modelling scenarios assumed in TfL's December 2019 Business Plan.

Much of the central section is now substantially complete. Fit-out is nearing completion at all stations, except Bond Street and Whitechapel, with all physical works in the tunnels already complete. Dynamic Testing of the signalling and train systems is advanced. The major programme focus is commencing intensive operational testing, known as Trial Running, at the earliest opportunity and completing assurance and safety certification for the railway. From the start of Trial Running it will take an extended period to fully test the Elizabeth line before it can open for passenger service. This includes a final phase known as Trial Operations involving people being invited onto trains and stations to test real-time scenarios.

In March 2020, the Prime Minister announced unprecedented measures in the Government's bid to halt the spread of coronavirus in the UK. In response, Crossrail Ltd brought non-essential physical activity at its project sites to a temporary stop. As the programme impacts of the coronavirus pandemic become clearer, Crossrail Ltd will issue an update to Sponsors.

Cash and investments

Total cash, cash equivalents and investments with maturities greater than three months held by the Group at 31 March 2020 amounted to £2,209m, up from £1,882m as at 31 March 2019. The average yield from TfL's cash investments for 2019/20 was 0.78 per cent, up from 0.69 per cent in 2018/19. The low investment yield reflects the low interest rates environment and the conservative nature of TfL's investment strategy. Earmarked reserves for TfL's future investment programme, including the Crossrail project, at 31 March 2020 amount to £1,081m.

Treasury risk management

The Board approves TfL's treasury strategy and policies regarding the principles of the Code of Practice and Cross-Sectoral Guidance Notes for Treasury Management in the Public Services and to the Prudential Code for Capital Finance in Local Authorities, both issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and last updated in 2017. The strategy and policies also have regard to the Statutory Guidance on Local Authority Investments issued by the Ministry of Housing, Communities and Local Government, last updated in February 2018.

Senior management directly control day-to-day treasury operations. The Finance Committee (a committee of the TfL Board) is the primary forum for discussing the annual treasury strategy, policy matters and for submitting proposals to the Board.

Treasury is managed on a centralised, non-speculative risk basis. Its purpose is to identify and mitigate residual treasury-related financial risks inherent to the Group's business operations.

Senior management continually monitor the Group's overall exposure to currency, inflation and interest rates as they affect its operating and commercial activities, as well as its financing activities (financial costs and investment returns on cash balances). TfL's objective under the 2019/20 borrowing strategy was to manage its borrowings in a manner that is affordable, sustainable and prudent, and combines value for money, flexibility, security of access to funds, and diversity of funding sources. TfL's investment strategy continues to reflect a low risk appetite consistent with the good stewardship of public funds and prioritises security and liquidity over yield.

The primary treasury-related financial risks faced by the Group are counterparty credit, liquidity, foreign exchange and interest rate movements. These are the focus of treasury policies, as set out below:

Counterparty credit

The Group's exposure to credit-related losses, for example non-performance by counterparties on financial instruments, is mitigated by setting a minimum required credit rating and applying financial limits based on credit ratings. For 2019/20, TfL continued to follow a conservative investment strategy, investing in: the UK Government and its executive agency, the UK Debt Management Office (DMO), selected financial institutions with high (investment grade) credit ratings, selected supranational or sub-sovereign agencies, selected Money Market Funds, highly rated corporates, and other highly rated sovereign governments. In addition to Sterling investments, TfL had investments in Euros and US Dollars, which were swapped back into Sterling as a matter of course. The amounts that can be invested with the UK Government and the UK DMO were not limited, while amounts invested with other institutions were based on their credit rating. The minimum rating was P-2/A-2. Credit ratings are obtained from the three main rating agencies and are kept under constant review.

Funding and liquidity

In the year to 31 March 2020, primary funding sources comprised passenger fares income, other income including commercial activity and road user charging, grant income including TfL's share of London's Business Rates and cash reserves as well as Prudential Borrowing within approved Mayoral and Government affordable debt limits. By harnessing the assortment of funding sources available to TfL, liquidity risk is primarily managed by maintaining a minimum level of cash reserves of at least 60 days' worth of forecast annual operating expenditure, equivalent to approximately £1.2bn. Maintaining sufficient cash reserves and having access to a diverse range of flexible funding sources ensures the Group has sufficient liquidity to meet its liabilities, in both normal and stressed conditions. TfL can access several sources of debt funding including the capital markets, loans from financial institutions and direct access to the UK DMO via the PWLB. With respect to managing the affordability of debt financing, debt maturities are diversified

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across short-, medium- and long-term horizons that broadly equate to the lives of assets purchased with this source of funding. The maturity profile of borrowing and other financial liabilities outstanding at 31 March 2020 is set out in note 35 to the accounts.

Foreign exchange rates

The Group's exposure to movements in foreign currency mainly arises from the procurement of goods or services. TfL's risk management strategy provides for measures to address highly probable exposures with a highly certain risk profile, including entering into derivative contracts.

Interest rates

The Board approved parameters of a minimum of 75 per cent fixed rate on outstanding borrowings. The proportion of fixed-rate borrowings (including Commercial Paper swapped to fixed rate through the use of interest rate derivatives) at the year-end was 96.2 per cent; the remaining 3.8 per cent constituted unhedged Commercial Paper borrowing which, although it has fixed rates of interest, in practice behaves more like floating rate debt if used on a rolling basis.

Pensions

As at 31 March 2020, the majority of TfL's employees were members of the TfL Pension Fund. The Public Sector Section's deficit has decreased from £5,189m at the start of the year to £3,942m at the end of the year. The main reasons for this decrease are the change in the financial assumptions adopted (primarily the fall in expected price inflation) and positive member experience (compared to the assumptions made). These have both served to reduce the value placed on the liabilities.

These factors have been partially offset by the return on assets being lower than expected (based on last year's discount rate) and the value of the benefits accrued by active members over the year being more than the contributions paid by TfL.

The total deficit recognised regarding all funded and unfunded pension arrangements on 31 March 2020 amounted to £4,101m (2019 £5,371m).

The latest available full actuarial valuation of the TfL Pension Fund was carried out as at 31 March 2018. The 2018 valuation showed a combined deficit on the Public Sector and Tube Lines Sections for funding purposes of £603m; and, as a result of this, the employers agreed a revised Schedule of Contributions with the Pension Fund.

Prospects, outlook, principal risks and uncertainties

In December 2019, TfL published an updated Business Plan for the next five years through to 2024/25. The Plan announced that, while focusing on the delivery of the Mayor's Transport Strategy, and making journeys in London safer, cleaner and greener, we were taking a tough approach to prioritisation within our capital investment programme, continuing only with work that is critical to maintaining current levels of safety and reliability, or with what was already contractually committed. Since that Plan was published, the unprecedented global pandemic of coronavirus has significantly impacted TfL's ability to execute its activities as envisaged and not all forecast outcomes of the published Plan will be achievable in the short to medium term.

Our tactical response to the challenges brought on by coronavirus has been split into two phases, the shorter-term 'restart' phase and the longer-term 'recovery' phase. Seven workstreams were identified to return TfL's operations to a level commensurate with demand given social distancing measures required to be in place. These were:

- Operations
- Finances
- Projects
- People & ways of working
- Communications & Engagement
- Strategy
- Supply Chain

Each workstream lead is responsible for identifying and managing the risks to the objectives of their respective workstreams.

In support of the Government's efforts to stop the spread of coronavirus and mitigate the financial impact of the lockdown, examples of specific short-term and temporary measures these workstreams implemented include:

- TfL and its subsidiary, Crossrail Limited, have brought all project sites to a temporary Safe Stop unless they need to continue for operational safety reasons or essential maintenance of the transport network
- Rent reliefs, including the grant of a three-month rental holiday during the initial phase of lockdown, to all small and medium enterprises across the property estate (representing 86 per cent of TfL's tenants) to enable them to continue trading in the future
- Temporary suspension of all road user charging schemes to ensure essential workers and emergency services can travel around the city more easily during the pandemic
- Middle door only boarding of buses, to keep drivers safe from the risk of contracting the virus from passengers until additional safety measures could be put in place
- Enhanced cleaning and use of an anti-viral cleaner that kills viruses and bacteria on contact across all our services

We also fully supported the Government's nationwide message to 'stay at home' during the lockdown. As a result, we saw demand reduce by 96 per cent on the Tube and 84 per cent on Buses in March/April, with significant reductions in demand expected to continue through to 2021. We have continued delivering essential transport services supporting the crisis response. However, the fall in our revenues has had a profound impact on our finances, as passenger revenues have contributed to more than 80 per cent of our total revenue

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income in recent years. Other income streams, including road user charges, advertising and property rentals have also been significantly adversely impacted by the changes to Londoners' travel patterns, and by TfL's implementation of other measures in response to the pandemic.

Therefore, as part of our immediate response to the crisis, the 'Finances' workstream modelled the impact of several revenue scenarios based on Imperial College's modelling of the impact on the UK. These indicated a possible reduction in passenger revenues ranging from £1.4bn to £3.5bn by the end of 2020/21. As a consequence, and alongside seeking opportunities to further minimise expenditure and maximise other sources of income, we have worked and will continue to work closely with the Government to secure additional support to alleviate the financial impact of the pandemic on TfL.

We have made use of the Job Retention Scheme, initially furloughing 7,000 employees across the organisation to mitigate costs during a period where there has been a stark reduction in income; activities have been paused and service levels reduced. Through the scheme, TfL receives grant income for up to a maximum of £2,500 or 80 per cent of salary per month for each individual furloughed. TfL continues to pay 100 per cent of salary and pension and other benefits as normal.

We have also secured an extraordinary funding and financing package from the Secretary of State that gives TfL secure access to £1.6bn of funding in the form of a mixture of Government grant and borrowing from the PWLB for an initial Support Period until 17 October 2020. At that point in time, as the longer-term impact of the coronavirus outbreak becomes clearer, a further, medium-term support package will be put in place.

We are well positioned to partner with the Government and the GLA, going forward, in driving economic recovery and growth. Actions over the coming months will involve ramping back to our maximum service levels and investing in infrastructure through capacity and connectivity improvements.

Nonetheless, despite securing this support from the Government, it is clear that the coming months and indeed years will be a challenging time in the history of TfL. Our future prospects and outlook are set against a backdrop of uncertainties, many of which do not fall under TfL's direct control:

Passenger demand

Passenger demand will continue to be affected in the short to medium term as we navigate through the pandemic. There are a variety of possibilities of future events that may follow, all of which would negatively impact TfL fares income in comparison to 2019/20 levels and to differing extents. These include a period of extended social distancing, further lockdowns and homeworking becoming a new norm, with a permanent reduction in work travel. Reductions in tourism and discretionary travel may continue after restrictions are lifted, while some leisure travel may be the last to become approved as we move out of lockdown. Timing and availability of a successful vaccine against the virus is uncertain and will be critical in restoring confidence to return to what is considered 'normal life'.

Reduced non-fare income

Non-fare income streams will also continue to be impacted in the short to medium term as businesses take stock and implement business continuity plans to remain financially viable. A share of London business rates is a primary source of income for TfL and is at risk of being lower in the future if a significant portion of businesses do not emerge from the crisis. Also, TfL has already and may be further required to directly forego income generation opportunities, such as rent holidays, during a period where reliefs are provided to individuals and businesses.

UK relationship with the European Union

There continues to be considerable uncertainty surrounding the UK's withdrawal from the European Union. As a local transport authority, TfL is relatively isolated from many common risks related to this. Our largest financial exposure is to macro-economic shifts, including any economic contractions that may result from a disruptive outcome where no long-term trading deal is agreed. Our income is highly dependent on public transport ridership, which is itself dependent to some degree on economic performance, including the number of jobs in central London. Any outcome that has a significant impact on this is likely to lead to a reduction in our revenue. Interaction between the negotiations on the long-term trade deal and the pandemic are currently unclear, but we are carefully monitoring events to ensure we are prepared for all possible outcomes.

More short-term risks include potential disruptions to operations and commercial contracts, exposure to financial risks (foreign exchange and interest rates) and the wellbeing of our people. Our Brexit Working Group, with representatives from across all of TfL's activities, has developed and is implementing significant mitigation plans to enable us to continue to serve our customers in all scenarios. This includes a command and control structure that would be implemented in the event of a No Deal Brexit, working with other bodies across London and the South East. Many Brexit-related risks are key risks we are managing. They include:

Operations

- We are preparing an operational plan and are working closely with partners to manage any disruptions at the end of the transition period. We are working with the London Resilience Forum and our operators to ensure sufficient resources are in place to maintain our services regardless of the outcome. This includes maintaining sufficient levels of stock of critical spares to enable uninterrupted maintenance activities.

Commercial and finance

- While we source some goods directly from the European Union, we are managing supply chain risks, including sub-contractors, to ensure contracts can continue. Where necessary, we use hedging to reduce exchange rate risk and placing orders for critical supplies at fixed prices.

People

- We are supporting our non-UK European Union citizen staff by providing guidance on applying for Settled Status. We are engaging through our Human Resources team and internal communications.

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Security of long-term funding
The future shape of TfL's capital investment programme over both the short to medium term and over the longer term is currently uncertain, being dependent on both macro- and micro- economic factors.

Absorption of the financial impacts of the unprecedented pandemic directly restricts the level and availability of funding to TfL for spend on capital investment and certain projects are likely to be delayed as a result. Over the short to medium term we will continue with those projects critical to operational safety, those related to Government priorities (such as those that promote cycling or walking) or any that are nearing completion. Other pipeline projects may be cancelled or postponed, as coupled with reduced availability of funding, planned infrastructure projects may now be de-prioritised or no longer considered optimal.

Setting aside the incremental financial impacts resulting from coronavirus, we have no certainty of capital funding beyond 2020/21, which poses a challenge when planning the pipeline of investment required by London. We will, however, continue to work with stakeholders to secure the necessary funds. As part of the settlement set out in the extraordinary funding and financing package, a broad ranging, government-led review of TfL's future financial position and future financial structure is underway to look at TfL's structure and potential sources of future funding with a view to making detailed recommendations on what decisions can be made. This will be completed by the end of August 2020. We will also continue our successful programme of reducing like-for-like operating costs and grow our business to create new revenue streams.

In order to achieve a surplus on our operating activities, we will continue our broad programme to reduce costs, increase revenue and become more efficient, while maintaining safety, frontline services and vital investment. Savings have already been achieved in our operating model, reducing and relocating head office accommodation based on our three-hub office strategy. Other activities underway to deliver cost reductions include: modernising London Underground maintenance, driving greater efficiency from our supply chain, reviewing and re-tendering bus contracts, and reshaping the bus network within inner London and refocusing the network in outer London to meet growing demand.

Growing our commercial income is another key part of our plan to achieve an operating surplus. A more diverse range of income also supports financial security. We will use our assets to generate long-term revenues, doing more to leverage our position as one of London's largest landowners. We plan to further develop our property, retail, advertising, telecoms and consultancy businesses to continue to deliver ongoing income streams.

These cost savings and additional sources of revenue will help us to keep investing in the new infrastructure London needs to support its growth and remain the economic engine of the UK. Our goal is to continue to deliver a world-leading public transport network that provides value for money and gets people to their destination safely and quickly.

Crossrail project
Further delay to the completion and opening of the central tunnel section of the Elizabeth line is possible as a result of it having to come to a Safe Stop during the lockdown. Any delays could have implications on the costs of construction and on the financing arrangements previously put in place in relation to the delivery of the project. As the programme impacts of the coronavirus pandemic become clearer, Crossrail Ltd will issue an update to Sponsors, but it is currently expected that Elizabeth line services through central London will commence in 2021.

London 2020 elections and the new transport Commissioner
The London 2020 elections (including the Mayoral election) are now scheduled for 2021 and the outcome, together with the appointment of new transport Commissioner, Andy Byford, may impact the ongoing prioritisation of TfL activities and strategic deliverables.

How we manage our risks

The key strategic risks we are currently managing, which include those highlighted in the paragraphs above, and the strategic objectives to which they relate, have been identified as falling into the following categories:

Strategic Objectives	Strategic Risks
Mayor's Transport Strategy (MTS): Healthy Streets and healthy people	• Major health, safety or environmental incident • Physical and digital security
MTS: New homes and jobs	• Programme delivery • Supply chain disruption
MTS: A good public transport experience	• Major service disruption • IT system strain
Corporate: People and stakeholders	• Protecting the wellbeing of TfL's workforce • Loss of stakeholder trust
Corporate: Finance	• Ability to recover ridership • Financial sustainability

Narrative Report and Financial Review (continued)

The TfL Board has overall accountability for risk management and setting TfL's risk tolerance and appetite levels. Progress of management of all key risks is presented to TfL's committees and panels. Here, members of the Board have an opportunity to scrutinise, challenge or provide recommendations as appropriate.

TfL's Executive Committee reviews and discusses strategic risks periodically, and a full assessment of each strategic risk is carried out quarterly. The Audit and Assurance Committee is updated on key risk management activities every quarter and reviews the effectiveness of the risk process at least annually.

External audit

Appointment, re-appointment and assessment of effectiveness

In July 2016, the Secretary of State specified Public Sector Audit Appointments Limited (PSAA) as an appointing person under the Local Audit and Accountability Act 2014. This meant that for audits of accounts from 2018/19, PSAA was responsible for appointing an auditor to, and setting the level of audit fees for, relevant bodies that have chosen to opt into its national auditor appointment scheme. TfL has opted into this scheme.

Appointments were made for the duration of the five-year appointing period, covering the audit of the accounts from 2018/19 to 2022/23.

In order for an audit firm to be eligible to tender for an audit contract with PSAA, the firm must appear on the Institute of Chartered Accountants in England and Wales (ICAEW) register of Local Auditors, having fulfilled the criteria determined by legislation as evaluated by the ICAEW (The Recognised Supervisor Body). Contracts were awarded after a competitive tender that balanced audit quality with price. The primary consideration in allocating proposed appointments to individual opted-in bodies was to ensure independence. TfL's appointed external auditor is Ernst & Young LLP.

TfL's key audit partner at Ernst & Young, Karl Havers, has, with the audit of these financial statements, reached the end of his standard five-year term in the role. However, in order to maintain audit quality in this period of exceptional change and uncertainty, TfL's Audit and Assurance Committee have agreed to the extension of his term as audit partner for a further year.

TfL's Audit and Assurance Committee, through questionnaires and reports, formally reviews the performance of the external auditors at least annually against the four criteria of:

- Qualification
- Expertise and resources
- Effectiveness
- Independence

The Audit and Assurance Committee remains satisfied with the quality, integrity and the effectiveness of the work undertaken by Ernst & Young LLP. The Committee carries out regular reviews to ensure that auditor objectivity and independence is maintained at all times.

Non-audit services

Under guidance issued by Financial Reporting Council in December 2019, only non-audit work that is closely related to the statutory audit may be undertaken by an entity's auditor. Furthermore, total fees for non-audit services provided is limited to no more than 70 per cent of the average of the fees paid in the last three consecutive financial years for the audit of the audited entity, its controlled undertakings, and of the consolidated financial statements of that group of undertakings.

Under TfL's policy on external audit services, Ernst & Young is required to report to the Audit and Assurance Committee every six months on fees billed for non-audit services. During 2019/20, the non-audit services provided by Ernst & Young were in respect of audit-related services provided in relation to the use of grant monies received and for procedures relating to regulation 4 of the Railway Safety Levy Regulations 2006. Total non-audit fees for the TfL Group represented six per cent of the total statutory audit fees paid in respect of the combined audit for the TfL and Transport Trading Limited Groups, and 31 per cent of the audit fee of the Corporation as a single entity for 2019/20.

Accounting statements

TfL is a statutory corporation established by section 154 of the Greater London Authority Act 1999 (GLA Act 1999). It is a functional body of the GLA and reports to the Mayor of London.

The legal structure is complex in comparison to that of most local authorities and comprises:

- The Corporation, which is made up of London Streets, Taxi and Private Hire, and the corporate centre which, for legal and accounting purposes, constitutes TfL
- The TfL Group, which is made up of the Corporation and its subsidiaries, joint ventures and associated undertakings as set out in notes 16, 17 and 18

Under the GLA Act 1999, the Corporation is treated as a Local Authority for accounting purposes and the Statement of Accounts, which includes the individual financial statements of the Corporation, has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code), which is based on approved accounting standards issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee, except where these are inconsistent with specific statutory requirements.

TfL's subsidiaries are subject to the accounting requirements of the Companies Act 2006 and separate statutory accounts are prepared for each subsidiary and for the Transport Trading Limited group. These accounts are prepared under International Financial Reporting Standards as adopted by the EU.

Narrative Report and Financial Review (continued)

The financial statements for the TfL Group, which consolidate the accounts of the Corporation, its subsidiaries, and the Group's share of the results and net assets of its joint ventures and associated undertakings on the basis set out in the Statement of Accounting Policies (paragraph c), are here presented alongside the financial statements of the Corporation.

The Statement of Accounts comprises:

- The Group and Corporation Comprehensive Income and Expenditure Statements, Balance Sheets, Cash Flow Statements and the Movement in Reserves Statements
- The Expenditure and Funding Analysis
- The Statement of Accounting Policies
- The Statement of Responsibilities for the Accounts
- Notes to the Group and Corporation financial statements

Within the Statement of Accounts, references to the 'Corporation' relate to the transactions, assets and liabilities of TfL. References to the 'Group' relate to the accounts of TfL and its subsidiaries.

Purposes of major schedules within the financial statements

The nature and purpose of the primary schedules included within the financial statements are set out below:

Comprehensive Income and Expenditure Statement

This statement shows both the revenue received and the costs incurred in the year of providing services, in accordance with generally accepted accounting practices. Other comprehensive income and expenditure comprises unrealised gains and losses including revaluation gains on property, plant and equipment, fair value movements on derivative financial instruments and remeasurement gains or losses on defined benefit pension schemes.

The Balance Sheet

The Balance Sheet shows the value as at the balance sheet date of the assets and liabilities recognised by TfL. The net assets of TfL (assets less liabilities) are matched by the reserves held by TfL. Reserves are reported in two categories. The first category is usable reserves, being those reserves that TfL may use to provide services, subject to the need to maintain a prudent level of reserves. The second category is those reserves that TfL is not able to use to provide services. This includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets were sold, and reserves that hold timing differences shown in the movement in reserves statement line 'Adjustments between accounting basis and funding basis under regulations'.

The Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of TfL during the financial year. The statement shows how TfL generates and uses cash and cash equivalents by classifying cash flows as derived from operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of TfL are funded by way of passenger income and grants. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to TfL's future service delivery.

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by TfL, analysed into usable reserves and other reserves. The Surplus or Deficit on the Provision of Services is different from the statutory amounts required to be charged to the General Fund Balance. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves.

Expenditure and Funding Analysis

The Expenditure and Funding Analysis, although not a primary statement, is presented alongside and shows how annual expenditure is used and funded from resources (grants, business rates etc.) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between TfL's operating segments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

Statement of Responsibilities for the Accounts

The Corporation is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers (the Statutory Chief Finance Officer) has responsibility for the administration of those affairs
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- Approve the Statement of Accounts

The Statutory Chief Finance Officer is responsible for the preparation of the Statement of Accounts for the Corporation and the Group in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Statutory Chief Finance Officer has:

- Selected suitable accounting policies and then applied them consistently
- Made judgements and estimates that were reasonable and prudent
- Complied with the Code
- Kept proper accounting records that were up to date
- Taken reasonable steps for the prevention and detection of fraud and other irregularities

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Corporation and Group at the accounting date and of the income and expenditure for the year ended 31 March 2020.

Antony King
Group Finance Director and
Statutory Chief Finance Officer

29 July 2020

Independent Auditor's Report to Transport for London

Opinion

We have audited the financial statements of Transport for London for the year ended 31 March 2020 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Group Comprehensive Income and Expenditure Statement,
- Group Balance Sheet,
- Group Movement in Reserves Statement,
- Group Statement of Cash Flows,
- Corporation Comprehensive Income and Expenditure Statement,
- Corporation Balance Sheet,
- Corporation Movement in Reserves Statement,
- Corporation Statement of Cash Flows,
- Expenditure and Funding Analysis,
- Accounting Policies
- Related notes 1 to 46

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

In our opinion the financial statements:

- give a true and fair view of the financial position of Transport for London Corporation and Group as at 31 March 2020 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty relating to the availability of funding to deliver current operational and capital plans

We draw your attention to note d) of Accounting Policies, which indicates that there is a material uncertainty over the availability of funding which may cast doubt on TfL's ability to continue to operate the current planned level of services, including the planned capital programme post 17 October 2020.

As disclosed, the COVID-19 pandemic has had a significant impact on fares income and the availability of funding. An Extraordinary Funding and Financing Agreement has been agreed with the Department for Transport, which provides funding through to 17 October 2020. The Agreement requires a review of activities, funding and governance to be completed prior to a further funding package being agreed.

Given the Government's undertaking it is expected that a funding package will be agreed to support a balanced budget beyond 17 October 2020 and that plans will be put in place to complete Crossrail as efficiently as possible. However, there is material uncertainty surrounding the funding of the Group and therefore its ability to continue to operate the current level of services, including the planned capital programme post 17 October 2020.

At 31 March 2020, the Group had capital projects in the course of construction totalling £19.3bn, of this £14.0bn relates to Crossrail and £1.3bn relates to 4 Lines Modernisation. The remaining balance relates to a range of projects across the network at varying stages of completion.

As part of the Government review of the Group, a review is ongoing of the capital programme to identify which projects can and will be funded to completion, including whether projects can be safely paused, whether the costs of termination are more extensive than completing and whether the projects are to ensure the Group meets statutory obligations in respect of safety. It is also possible that the current review could deem some current services as non-essential, which could then lead to an impairment of some assets related to those services.

As a result of current discussions, the Board believes that the current level of services and all capital projects should be funded. However, until the review is complete and the balanced budget agreed, there is a material uncertainty as to whether:

1. any of the projects, included in assets in the course of construction at 31 March 2020, will receive funding to completion and the extent of any changes required to the Crossrail project as a result of revised funding that could lead to some non-essential elements of the completion plan not being funded.
2. the funding available will mean that the level of services able to be operated will change, resulting in some assets in use no longer having the useful economic life assumed in these financial statements.

No adjustments have been made in the financial statements to the carrying value of assets in the course of construction or tangible fixed assets should the funding not be forthcoming.

Our opinion is not modified in respect of this matter.

We describe below how our audit responded to the risk relating to future funding:

- The audit engagement partner increased his time directing and supervising the audit procedures on going concern and understanding the latest position with respect to funding arrangements.
- We have assessed management's emergency budget, including key assumptions and concluded that there is a significant level of uncertainty within the forecasts, which depend on the speed at which people return to public transport, the choices on how people travel, as well as a number of other economic factors. We note that whilst TfL is required to run near to full services, there are limitations to the number of mitigation actions that can be undertaken.
- We compared scenario analysis re future fare income, to the independent forecast report of future trends on transport usage prepared by Imperial College and noted that of the scenarios provided by Imperial College the worst case fare income was used in the emergency budget.
- We considered the terms of TfL's other borrowings and whether commitments were appropriately reflected in the emergency budget and we confirmed current compliance with covenants and during the period covered by the emergency budget.
- We obtained the Extraordinary Funding and Financing Agreement of 14 May 2020 from the Department of Transport and considered the impact of the terms.
- We compared the liquidity requirements in the emergency budget to the funding set out in the Extraordinary Funding and Financing Agreement to assess whether the budget indicated that this funding would allow TfL to operate activities up to 17 October 2020
- We compared actual performance for the period to 12 June 2020 to the emergency budget for that period.
- We obtained a breakdown of capital projects in progress at 31 March 2020 and management's assessment of the likelihood of future funding, to ensure consistent with management's disclosure in Accounting Policies note d).
- We assessed the adequacy of the disclosures of the material uncertainty relating to funding post 17 October 2020 in the financial statements.

Overview of our audit approach

Key audit matters	• Revenue recognition • Capital projects • Property valuation • Crossrail delivery overruns and impact on funding
Materiality	• Overall group materiality of £104.4m which represents 1per cent of group operating and capital expenditure.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. There is one integrated audit team led by the audit engagement partner performing the procedures across the Corporation and its components, all procedures performed in relation to key audit matters were performed by the one integrated audit team.

In addition to the matter described in the material uncertainty related to the availability of funding section, we have determined the matters described below to be the key audit matters to be communicated in our report. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report to Transport for London (continued)

Revenue recognition relating to the allocation of fares received based on time periods, services provided by other parties and refunds

Risk	Our response to the risk	Key observations communicated to the Audit and Assurance Committee
Refer to note 1 in the consolidated financial statements. Transport for London (TfL) generates over 80 per cent of its revenue from fares charged to customers. For the Group, given the reduction of other sources of income such as grant funding, there is an incentive to overstate fares revenue. Fares revenue remains a focus of the financial statements audit due to the complexity and amount of judgement associated with it. This risk over revenue recognition specifically arises in the following judgemental areas, where there is opportunity to overstate revenue: • Oyster Pay As You Go and Contactless Pay: Revenue is recognised on a real time basis which is apportioned between TfL and Train Operating Companies where necessary. TfL requires a robust control environment to ensure that Tfl's share of fares are accurately recognised as revenue. TfL retains an appropriate accrual for potential refunds over time. • Travelcard and Through Ticket: Revenue from annual or periodic tickets and travel cards is recognised on a straight line basis over the period of validity of the ticket or travel card. Revenue received in advance is released over the validity period. Daily travelcards and Through Tickets are recognised on the day of purchase. All the above is apportioned between TfL and the Train Operating Companies based on agreed apportionment factors. The impact of Covid-19 and related lockdown, saw a significant reduction in passenger journeys during March. There have been claims for refunds of relating to pre-paid travelcards and tickets and therefore a risk that revenue is overstated and does not reflect refunds due for the period when passenger journeys could not be taken.	Our testing of revenue recognition included both tests of control and substantive testing. Our test of controls focused on the effectiveness of the cash collection process and sales made at various sales outlets. We utilised the conclusions from an ISAE3402 report on the controls operated by service organisations over contactless ticketing and Oyster pay as you go. Our substantive testing of revenue relating to Oyster Pay as You Go, Contactless Pay, Travelcard and Through Ticket included: • Re-performing calculations from the Oyster Click Model which calculates the apportionment of revenue between TfL and the Train Operating Companies. • Testing the calculation of the proportion of revenue relating to future periods for annual or periodic tickets and travel cards purchased in the 2019/20 year and confirming the appropriate reflection of this amount as payments received in advance. • Comparing the assessment of fares apportioned to the Train Operating Companies for reasonableness against latest agreements, settlements in year and correspondence with the Train Operating Companies. Additional procedures in response to the impact of Covid-19 on our significant risk were as follows: • We tested the calculation of refund provision made for Covid-19 and comparing to actual refund payments made post year end; and • We searched journal entries for unusual postings for Covid-19 adjustments to revenue. We performed full scope audit procedures over this risk area for the whole Group, which covered 100% of the risk amount.	We concluded that the basis on which fares revenue is recognised is reasonable. The judgements made related to fares revenue in the financial statements have been appropriately described.

Independent Auditor’s Report to Transport for London (continued)

Capital projects

Risk	Our response to the risk	Key observations communicated to the Audit and Assurance Committee
Refer to note 13 in the consolidated financial statements. The TfL Group undertakes multiple capital projects at any point in time. These projects vary in size, complexity and length of time to complete, therefore an amount of judgement is needed when determining the amount of cost capitalised on each individual project. Further, there can be changes in TfL priorities driven by updated Mayoral priorities which can result in changes in individual project scopes. This can give rise to a risk of impairment of expenditure previously capitalised. In particular, the impact of COVID-19 on TfL has created the need for emergency funding and re-assessment of priorities. An emergency funding agreement was put in place for operational expenditure up to 17 October 2020, however a capital funding plan has not yet been agreed and is expected to be further discussed over the period to September 2020. This will lead to further re-prioritisation of capital projects for future funding. As part of the coordinated TfL response to COVID-19, capital programmes ceased non-essential site works at the end of March 2020. Costs totalling £19.3m were incurred relating to the safe stop of capital projects during the lockdown phase of the pandemic.	Testing of capital projects included both tests of controls and substantive testing. We have gained an understanding of key controls and governance surrounding capital project accounting and management. Our test of controls focused on the effectiveness of the approval process for expenditure and for capitalisation. The following procedures were performed as part of our substantive testing: • Testing of major projects during the financial period to supporting project documentation has been performed. • We have also met with project management and visited a sample of projects to understand the scope and progress of the project. • We have compared the latest positions recorded in respect of pain or gain arrangements to contract terms and conditions and to latest project outturn forecasts to assess the appropriateness of related amounts recorded. • We have also performed detailed testing on a sample of capital accruals to source documentation to test completeness of costs recognised at 31 March 2020. • For material projects in progress at the year end, we tested whether the completion of the projects was included in the pre COVID-19 business plan. • Where management has assessed this is not the case, we have tested the completeness of removal of project costs from the balance sheet and write off in the income statement. • We reviewed claims, contracts and discussed with legal to test for the existence of additional obligations or expenditure that was inappropriate to capitalise. **Additional procedures in response to the impact of Covid-19 on our significant risk were as follows:** • We obtained an understanding of the COVID-19 impact on all capital projects selected for testing. Enquiries focused on delays in the project timeline, project teams being demobilised, expected changes to cost to complete and any contractors that have submitted a force majeure notification in terms of the contract to encompass impact up until signing date. • We have obtained details of costs incurred in respect of safe stop, incurred in the period to 31 March 2020 and tested to supporting evidence. • We have corroborated enquiries through detail testing where deemed appropriate. • Further, we obtained management’s impairment analysis to assess if any projects required write-offs as result of COVID-19, in particular whether it was probable the projects in progress at 31 March were likely to receive funding to completion. We performed full scope audit procedures over this risk area for the whole Group, which covered 100% of the risk amount.	We are satisfied that the capitalised costs in the year meet the criteria for capitalisation and are appropriate. We concur with the impairment of projects not included in funding plans in the pre-COVID-19 business plan. As noted above, there is a material uncertainty relating to future funding of capital projects, including those in progress at 31 March 2020.

Independent Auditor's Report to Transport for London (continued)

Property valuation

Risk	Our response to the risk	Key observations communicated to the Audit and Assurance Committee
Refer to notes 13 and 15 in the consolidated financial statements. The TfL Group has an extensive and diversified property portfolio across London. Any changes to the assumptions used to value properties within the portfolio could have a significant impact on the financial statements due to the nature of the properties. External valuers perform a detailed valuation across the property portfolio during each financial year. Significant judgement is used during the valuation of the property portfolio due to the uniqueness thereof. **Change in strategy** In the current year, as part of the Group's commercialisation strategy, the Group consolidated properties available for non-operational use in a new subsidiary entity. This resulted in a change in use from 'owner-occupied' to newly separable investment property assets. The resulting recognition of a revaluation from cost, on transfer from operational to investment property has been recognised in other comprehensive income totalling £875m. **Impact of COVID-19** In the current year, as referred to in notes 13 and 15, due to the unprecedented impact of COVID-19 on the market, CBRE (TfL's external valuer) has highlighted that valuations at 31 March 2020 were subject to a 'material valuation uncertainty' as set out in VPS 3 and VPGA 10 of the RICS Valuation – Global Standards. Consequently, less certainty and a higher degree of caution should be attached to these values than would normally be the case.	The following procedures were performed as part of our substantive testing: • We tested the valuations report prepared by TfL's external valuers, agreeing the entries in the report back to the financial statements to confirm the accuracy of the entries. • We met with TfL's external valuers and discussed the methodology applied and key assumptions used. • We used our internal valuation experts to assist in our review of whether TfL's key assumptions are within an acceptable range based on comparative market data for rental yields. • We tested property additions, disposals and the accounting treatment of leases to supporting documentation. **Additional procedures in response to the impact of the change in strategy on our significant risk were as follows:** • We obtained evidence that the assets, that had been newly identified as investment properties, met the criteria for recognition under IAS40. • We included testing of a sample of the valuation of a sample of the newly identified investment properties within our sample for procedures above to test the year end valuation of these assets. • We compared the presentation of the related revaluation gain to the requirements of IAS16 and IAS40 for the transfer from owner-occupied to investment property assets. In particular we challenged management as to whether this should be presented within the Comprehensive Income and Expenditure Statement or within Other Comprehensive Income. • We also considered whether the disclosures provided with respect to the new investment property assets were adequate to understand the nature of the transaction. **Additional procedures in response to the impact of Covid-19 on our significant risk were as follows:** • We reassessed and challenged judgements made by the valuer in light of the uncertainties highlighted. • We assessed the adequacy of additional disclosures made in notes 13 and 15 of the financial statements in respect of the 'material valuation uncertainty' noted by TfL's external valuer. We performed full scope audit procedures over this risk area for the whole Group, which covered 100% of the risk amount.	We have concluded that property valuations were within an acceptable range. We concurred with the accounting for the revaluation of investment assets transferred from owner-occupied assets and the final presentation of the revaluation gain, on transfer, within Other Comprehensive Income. We concluded that the disclosure set out in the notes to the financial statements provides users with an appropriate explanation of this matter. We have reviewed the disclosure in the financial statements relating to the material valuation uncertainty paragraph included by CBRE in the valuation report and consider the disclosure appropriate. The disclosures set out in the notes to the financial statements are fundamental to users' understanding of this matter. We conclude that the balances and disclosures in the financial statements and notes appropriately reflect the risk factors identified.

Independent Auditor's Report to Transport for London (continued)

Crossrail - delivery overruns and impact on funding

Risk	Our response to the risk	Key observations communicated to the Audit and Assurance Committee
Refer to note 13 in the consolidated financial statements. The Crossrail project continues to be complex and as it reaches its conclusion, there will be the finalisation of related costs and contractual matters. These matters were not completed at the year end and therefore judgement is required in assessing the appropriate value of obligations, considering whether there are any obligations inappropriately omitted from the financial statements. Further there is a risk that costs may be incurred that do not meet the criteria for capitalisation. During the year, the Trial Running date was delayed from February 2020 to September 2020 and the impact of the COVID-19 pandemic is likely to cause further delays. Due to the COVID-19 pandemic, all physical works on all Crossrail sites were temporarily paused on 24 March. The physical works have recently recommenced on several Crossrail project sites and continues to be informed by the latest guidance from the Government and Public Health England.	The following procedures were performed as part of our substantive testing: • We reviewed the latest forecast outcome for completion of the whole Crossrail project. • We have gained an understanding of the latest agreements on sources of funding for Crossrail, including amounts included in the TfL Business Plan and agreed funding from the DfT. • We have tested whether there is any evidence to suggest that additional obligations exist within the various contractual arrangements that have been omitted from the financial statements. • We tested the nature of the expenditure incurred to determine if capitalisation was appropriate. • We have tested the impact of any amounts to be funded by TfL on the overall position of TfL including whether there is any impact on other in progress projects. **Additional procedures in response to the impact of Covid-19 on our significant risk were as follows:** • We have gained an understanding of the impact of COVID-19 on Crossrail and its projects. • We assessed the adequacy of additional disclosures in the financial statements in respect of this matter. • We have discussed the status of the financial budget and restart plans for Crossrail which are not yet agreed by the Sponsors. We performed full scope audit procedures for Crossrail over this risk area which covered 100% of the risk amount.	We are satisfied that the capitalised costs in the year meet the criteria for capitalisation and are appropriate. We did not identify additional obligations requiring provision at 31 March 2020. We note that the funding agreement could lead to some non essential elements of the completion plan not being funded, resulting in expensing of abortive project costs. As noted above, there is a material uncertainty relating to the extent of any changes required to the Crossrail project as a result of revised funding that could lead to some non essential elements of the completion plan not being funded.

The above risk areas are consistent with those in the prior year.

Independent Auditor’s Report to Transport for London (continued)

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Corporation and Group. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the Corporation and Group, and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the four reporting components, Transport for London Corporation, Transport Trading Limited (which consolidates Crossrail Limited), London Transport Insurance (Guernsey) Limited, and TfL Trustee Company Limited, only Transport Trading Limited and the Corporation are material to the Group, representing 99% of the Group’s gross expenditure. The other two entities represent less than 1% of Group’s gross expenditure and are considered immaterial to the Group.

We performed an audit of the complete financial information of Transport for London Corporation and Transport Trading Limited (which consolidates Crossrail Limited).

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £104.4million (2019 £103.3 million), which is 1% (2019 1%) of Group operational and capital expenditure. TfL Group’s key responsibilities are to provide transportation services across London and to continue to develop the capital’s transport infrastructure. TfL has two key purposes; operational responsibilities for transport services and the development of London’s transport infrastructure. Both of these elements are of significant interest to the users of the financial statements identified above and therefore TfL expenditure in these areas is of most interest to the users of the financial statements.

We calculated materiality for the Transport for London Corporation to be £151.9 million (2019 £273.2 million), which is 0.5% of Total Assets. However, as this exceeded the materiality noted above for the Group, we restricted materiality for the Corporation to the same amount (£104.4 million).

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group’s overall control environment, our judgement was that performance materiality was 75 per cent (2019 75 per cent) of our planning materiality, namely £78.3 million (2019 £82.6 million). In setting performance materiality at this percentage based on our assessment of the Group’s internal control environment and the extent and nature of audit findings identified in the prior period. This basis is consistent with the prior year.

Audit work at Transport for London Corporation and Transport Trading Limited for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for Transport for London Corporation £35.2 million (2019 £37.2 million) and Transport Trading Limited £78.3 million (2019 £82.6 million) is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit and Assurance Committee that we would report to them all uncorrected audit differences in excess of £5.2 million (2019 £4.6 million), which is set at 5 per cent of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor’s report thereon. The Statutory Chief Finance Officer is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Independent Auditor's Report to Transport for London (continued)

Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

Arrangements to secure economy, efficiency and effectiveness in the use of resources: Basis for Qualified Conclusion

Sustainable resource deployment

During 2018/19 Transport for London identified a series of weaknesses with the application of procurement rules throughout the organisation. Procurement arrangements were not being followed in all cases, leading to a significant amount of single source tender arrangements and other contracting arrangements that may not have provided value for money.

In 2018/19 TfL's internal audit function also identified a number of high priority recommendations that required implementation across the organisation to rectify the weaknesses.

The issues above are evidence of weaknesses in proper arrangements for procuring supplies and services effectively to support the delivery of strategic priorities.

During 2018/19, an action plan was drawn up to address these matters. Implementation of this action plan commenced during 2019/20, but corrective actions were not fully complete by 31 March 2020 and those that were implemented were not in place during the entirety of 2019/20, therefore proper arrangements were not operating effectively during the year covered by this opinion.

Informed decision making

The governance arrangements of Crossrail's delivery of the Elizabeth Line was an area of significant scrutiny in 2018/19. An independent report for TfL and the Department for Transport by KPMG on finance and commercial, and governance aspects of Crossrail, as well as an independent review by the National Audit Office, have both identified issues relating to decision making relating to increased costs and impacting the plan for completion of Crossrail as a whole. During 2018/19 a new management team were appointed and a revised completion schedule drawn up.

We note that significant effort has continued to be undertaken to reassess actual progress of the programme, forecast spending and opening dates for the line. During the year, the project continued to encounter technical issues and re-scheduled the Trial Running date on a number of occasions. The impact of COVID-19 will introduce further delays, likely additional cost and the need for a revised funding plan. The previous funding plan required TfL to fund any excess costs over and above the prior year current planned spend. As noted above, Government has stated in the Extraordinary Funding and Financing Agreement dated 14 May 2020, that Crossrail remains a vital project for both London and the UK and that in advance of 17 October 2020, an additional funding package will need to have been identified and presented to the project Sponsors, which will be considered alongside the review of TfL's future financial position and financial structure, which in particular has the risk of resulting in the deferral or cancellation of other Group capital projects. The issues above are evidence of weaknesses in proper arrangements for understanding and using appropriate and reliable financial and performance information to support informed decision making and performance management.

Qualified conclusion

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General (C&AG) in April 2020, with the exception of the matters reported in the basis for qualified conclusion paragraph above, we are satisfied that, in all significant respects, Transport for London put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

Responsibility of the Statutory Chief Finance Officer

As explained more fully in the Statement of Responsibilities for the Accounts set out on page 86, the Statutory Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Statutory Chief Finance Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Independent Auditor's Report to Transport for London (continued)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in April 2020, as to whether Transport for London had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Transport for London put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, Transport for London had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

Until we have completed these procedures we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to Transport for London in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation, for our audit work, for this report, or for the opinions we have formed.

Karl Havers (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
London

30 July 2020

The maintenance and integrity of the Transport for London web site is the responsibility of TfL management; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Group Comprehensive Income and Expenditure Statement

Year ended 31 March	Note	Gross income 2020 £m*	Gross expenditure 2020 £m*	Net income/ (expenditure) 2020 £m*	Gross income 2019 restated £m	Gross expenditure 2019 restated £m	Net income/ (expenditure) 2019 restated £m
Operating segment							
Underground		**2,762.0**	**(2,323.0)**	**439.0**	2,825.0	(2,410.0)	415.0
Elizabeth line		**147.0**	**(363.0)**	**(216.0)**	118.0	(246.0)	(128.0)
Buses		**1,440.0**	**(2,208.0)**	**(768.0)**	1,486.0	(2,136.0)	(650.0)
Streets		**355.0**	**(574.0)**	**(219.0)**	322.0	(548.0)	(226.0)
Rail		**436.0**	**(489.0)**	**(53.0)**	467.0	(475.0)	(8.0)
Other operations		**356.0**	**(351.0)**	**5.0**	205.0	(388.0)	(183.0)
Major projects		**22.0**	**(59.0)**	**(37.0)**	1.0	(48.0)	(47.0)
Property		**102.0**	**(42.0)**	**60.0**	94.0	(40.0)	54.0
Media		**154.0**	**(6.0)**	**148.0**	148.0	(4.0)	144.0
Net cost of operations per internal management reports	2	**5,774.0**	**(6,415.0)**	**(641.0)**	5,666.0	(6,295.0)	(629.0)
Central items	2	**(11.8)**	**(1,323.8)**	**(1,335.6)**	(9.8)	(1,265.9)	(1,275.7)
Net cost of services before exceptional items**	2	**5,762.2**	**(7,738.8)**	**(1,976.6)**	5,656.2	(7,560.9)	(1,904.7)
Exceptional items	6			**(19.3)**			-
Net cost of services after exceptional items				**(1,995.9)**			(1,904.7)
Other net operating expenditure	7			**(30.9)**			(32.5)
Financing and investment income	8			**108.7**			148.8
Financing and investment expenditure	9			**(519.9)**			(475.3)
Grant income	10			**3,268.1**			3,015.5
Group share of loss after tax of joint ventures	17			**(0.1)**			-
Group share of loss after tax of associated undertakings	18			**(52.0)**			(94.5)
Surplus on the provision of services before tax				**778.0**			657.3
Taxation	11			**(106.8)**			2.0
Surplus on the provision of services after tax				**671.2**			659.3

Year ended 31 March	Note	Gross income 2020 £m*	Gross expenditure 2020 £m*	Net income/ (expenditure) 2020 £m*	Gross income 2019 £m	Gross expenditure 2019 £m	Net income/ (expenditure) 2019 £m
Surplus on the provision of services after tax				**671.2**			659.3
Other comprehensive income and expenditure							
Items that will not be subsequently reclassified to profit or loss							
Surplus on the revaluation of property, plant and equipment ***	13			**29.4**			59.9
Surplus on the valuation of newly created investment properties	15			**875.2**			-
Deferred tax on the surplus on valuation of newly created investment properties	11			**(135.7)**			-
Net remeasurement gain/(loss) on defined benefit pension schemes ***	36			**1,687.9**			(336.7)
				2,456.8			(276.8)

* IFRS 16 Leases has been adopted for the first time in 2019/20. 2018/19 comparatives have not been restated for this change. Further information on the impact of the implementation of this new standard is set out in note 45.

** Figures for 2018/19 have been restated to show the split of net cost of services by revised internal management operating segment (see note 2)

*** There is no tax effect of these items on other comprehensive income and expenditure in the years ended 31 March 2020 or 2019 (note 11).

Group Comprehensive Income and Expenditure Statement (continued)

Year ended 31 March	Note	**Gross income 2020 £m***	**Gross expenditure 2020 £m***	**Net income/ (expenditure) 2020 £m***	Gross income 2019 £m	Gross expenditure 2019 £m	Net income/ (expenditure) 2019 £m
Other comprehensive income and expenditure (continued)							
Items that may be subsequently reclassified to profit or loss							
Movement in the fair value of derivative financial instruments ***	38			**(26.8)**			0.6
Derivative fair value loss recycled to the Balance Sheet ***	38			**0.2**			-
Derivative fair value loss recycled to income and expenditure ***	38			**9.0**			8.6
				(17.6)			9.2
				2,439.2			(267.6)
Total comprehensive income and expenditure				**3,110.4**			391.7

* IFRS 16 Leases has been adopted for the first time in 2019/20. 2018/19 comparatives have not been restated for this change. Further information on the impact of the implementation of this new standard is set out in note 45.

** Figures for 2018/19 have been restated to show the split of net cost of services by revised internal management operating segment (see note 2)

*** There is no tax effect of these items on other comprehensive income and expenditure in the years ended 31 March 2020 or 2019 (note 11).

Group Balance Sheet

	Note	31 March 2020* £m	31 March 2019 £m
Long-term assets			
Intangible assets	12	**118.7**	112.6
Property, plant and equipment	13	**42,092.6**	40,815.2
Right-of-use assets	14	**2,309.6**	-
Investment property	15	**1,430.5**	492.0
Equity accounted investment in joint ventures	17	**7.2**	-
Equity accounted investment in associated undertakings	18	**194.6**	233.5
Long-term derivative financial instruments	31	**1.5**	6.8
Long-term finance lease receivables	19	**37.0**	39.4
Long-term debtors	21	**97.4**	112.6
		46,289.1	41,812.1
Current assets			
Inventories	20	**58.9**	61.0
Short-term debtors	21	**512.8**	697.0
Assets held for sale	22	**113.4**	122.4
Short-term derivative financial instruments	31	**3.4**	11.8
Short-term finance lease receivables	19	**15.7**	12.8
Short-term investments	23	**642.4**	215.9
Cash and cash equivalents	24	**1,566.8**	1,665.8
		2,913.4	2,786.7

	Note	31 March 2020* £m	31 March 2019 £m
Current liabilities			
Short-term creditors	25	**(2,128.8)**	(2,167.2)
Short-term current tax liability		**-**	(0.1)
Short-term borrowings and overdrafts	26	**(936.5)**	(745.9)
Short-term right-of-use lease liabilities	14	**(318.2)**	-
Short-term other finance lease liabilities	27	**-**	(16.1)
Short-term PFI lease liabilities	28	**(13.9)**	(54.2)
Other short-term financing liabilities	29	**(3.5)**	-
Short-term derivative financial instruments	31	**(26.3)**	(3.0)
Short-term provisions	30	**(192.6)**	(345.9)
		(3,619.8)	(3,332.4)

* IFRS 16 Leases has been adopted for the first time in 2019/20. 2018/19 comparatives have not been restated for this change. Further information on the impact of the implementation of this new standard is set out in note 45.

Group Balance Sheet (continued)

	Note	31 March 2020* £m	31 March 2019 £m
Long-term liabilities			
Long-term creditors	25	**(61.6)**	(61.5)
Long-term borrowings	26	**(10,752.5)**	(10,398.7)
Long-term right-of-use lease liabilities	14	**(2,098.8)**	-
Long-term other finance lease liabilities	27	**-**	(222.7)
Long-term PFI lease liabilities	28	**(111.6)**	(125.5)
Other long-term financing liabilities	29	**(132.5)**	(132.7)
Long-term derivative financial instruments	31	**(63.1)**	(46.5)
Long-term deferred tax liabilities	11	**(242.5)**	-
Long-term provisions	30	**(58.0)**	(54.6)
Retirement benefit obligation	36	**(4,100.6)**	(5,370.6)
		(17,621.2)	(16,412.8)
Net assets		**27,961.5**	24,853.6
Reserves			
Usable reserves		**1,604.2**	1,627.0
Unusable reserves	38	**26,357.3**	23,226.6
Total reserves		**27,961.5**	24,853.6

* IFRS 16 Leases has been adopted for the first time in 2019/20. 2018/19 comparatives have not been restated for this change. Further information on the impact of the implementation of this new standard is set out in note 45.

The Expenditure and Funding Analysis update on page 105 and the accounting policies and notes on pages 107 to 199 form part of these financial statements. These financial statements were approved by the Board on 29 July 2020 and signed on its behalf by:

Sadiq Khan
Chair of TfL

Group Movement in Reserves Statement

	Note	General fund £m	Earmarked reserves £m	**General fund and earmarked reserves £m**	Street works reserve £m	Capital grants unapplied account £m	**Usable reserves £m**	Unusable reserves £m	**Total reserves £m**
At 1 April 2018		150.0	948.6	**1,098.6**	19.4	671.5	**1,789.5**	22,672.4	**24,461.9**
Movement in reserves during 2018/19									
Surplus on the provision of services after tax		946.0	-	**946.0**	-	-	**946.0**	(286.7)	**659.3**
Other comprehensive income and expenditure		-	-	**-**	-	-	**-**	(267.6)	**(267.6)**
Total comprehensive income and expenditure		946.0	-	**946.0**	-	-	**946.0**	(554.3)	**391.7**
Adjustments between accounting basis and funding basis under regulations	39	(438.1)	-	**(438.1)**	1.1	(671.5)	**(1,108.5)**	1,108.5	**-**
Net increase/(decrease) before transfer to/from earmarked reserves		507.9	-	**507.9**	1.1	(671.5)	**(162.5)**	554.2	**391.7**
Transfer to/from earmarked reserves		(507.9)	507.9	**-**	-	-	**-**	-	**-**
Increase/(decrease) in 2018/19		-	507.9	**507.9**	1.1	(671.5)	**(162.5)**	554.2	**391.7**
Balance at 31 March 2019		**150.0**	**1,456.5**	**1,606.5**	**20.5**	**-**	**1,627.0**	**23,226.6**	**24,853.6**
Movement in reserves during 2019/20									
Surplus on the provision of services after tax		1,047.8	-	**1,047.8**	-	-	**1,047.8**	(376.6)	**671.2**
Other comprehensive income and expenditure		-	-	**-**	-	-	**-**	2,439.2	**2,439.2**
Total comprehensive income and expenditure		1,047.8	-	**1,047.8**	-	-	**1,047.8**	2,062.6	**3,110.4**
Impact of the implementation of IFRS 16 Leases at 1 April 2019*		-	-	**-**	-	-	**-**	(2.5)	**(2.5)**
Adjustments between accounting basis and funding basis under regulations	39	(1,073.6)	-	**(1,073.6)**	3.0	-	**(1,070.6)**	1,070.6	**-**
Net (decrease)/increase before transfer to/from earmarked reserves		(25.8)	-	**(25.8)**	3.0	-	**(22.8)**	3,130.7	**3,107.9**
Transfer to/from earmarked reserves		375.8	(375.8)	**-**	-	-	**-**	-	**-**
Increase/(decrease) in 2019/20		350.0	(375.8)	**(25.8)**	3.0	-	**(22.8)**	3,130.7	**3,107.9**
Balance at 31 March 2020		**500.0**	**1,080.7**	**1,580.7**	**23.5**	**-**	**1,604.2**	**26,357.3**	**27,961.5**

* IFRS 16 Leases has been adopted for the first time in 2019/20. 2018/19 comparatives have not been restated for this change. Further information on the impact of the implementation of this new standard in set out in note 45.

Earmarked reserves have been established to finance future projects and form part of the overall funding available for the Investment Programme and revenue projects. Application of funds against specific projects is dependent on the level and mix of other sources of funding also available to fund TfL's Investment Programme.

Group Statement of Cash Flows

Year ended 31 March	Note	2020 £m*	2019 £m
Surplus on the provision of services after tax		**671.2**	659.3
Adjustments to surplus after tax for non-cash movements	37 a	**103.3**	412.1
Net cash flows from operating activities		**774.5**	1,071.4
Investing activities	37 b	**(647.8)**	(943.7)
Financing activities	37 c	**(225.7)**	298.6
(Decrease)/increase in net cash and cash equivalents in the year		**(99.0)**	426.3
Net cash and cash equivalents at the start of the year		**1,665.8**	1,239.5
Net cash and cash equivalents at the end of the year	24	**1,566.8**	1,665.8

* IFRS 16 Leases has been adopted for the first time in 2019/20. 2018/19 comparatives have not been restated for this change. Further information on the impact of the implementation of this new standard is set out in note 45.

Corporation Comprehensive Income and Expenditure Statement

Year ended 31 March	Note	2020 £m*	2019 £m
Highways and Transport Services			
Gross income		**588.0**	377.4
Gross expenditure	3	**(1,495.0)**	(1,361.2)
Net cost of services before exceptional items **		**(907.0)**	(983.8)
Exceptional items	6	**(7.8)**	-
Net cost of services after exceptional items		**(914.8)**	(983.8)
Other net operating expenditure	7	**(0.3)**	(7.2)
Financing and investment income	8	**413.6**	470.0
Financing and investment expenditure	9	**(556.2)**	(522.8)
Grant income	10	**3,181.9**	2,907.6
Grant funding of subsidiaries		**(1,076.4)**	(917.8)
Surplus on the provision of services		**1,047.8**	946.0
Other comprehensive income and expenditure			
Items that will not be subsequently reclassified to profit or loss			
Surplus on the revaluation of property, plant and equipment	13	**11.1**	19.8
Surplus on valuation of newly created investment properties	15	**16.8**	-
Net remeasurement gain/(loss) on defined benefit pension schemes	36	**1,673.7**	(335.7)
		1,701.6	(315.9)
Total comprehensive income and expenditure		**2,749.4**	630.1

* IFRS 16 Leases has been adopted for the first time in 2019/20. 2018/19 comparatives have not been restated for this change. Further information on the impact of the implementation of this new standard is set out in note 45.

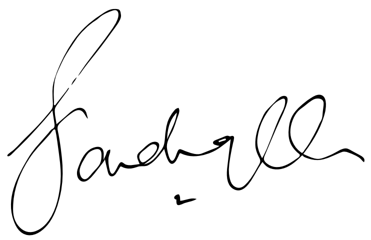
** Decisions taken by the Board about resource allocation are made using internal management reports which show total expenditure for the TfL Group. No segmental disclosures are included for the Corporation as the Corporation's results are not reported to the Board on a segmental basis.

Corporation Balance Sheet

Corporation Balance Sheet	Note	31 March 2020 £m*	31 March 2019 £m
Long-term assets			
Intangible assets	12	**77.7**	78.3
Property, plant and equipment	13	**4,151.5**	4,047.6
Right-of-use assets	14	**421.1**	-
Investment property	15	**14.1**	6.8
Investments in subsidiaries	16	**11,562.5**	10,322.5
Long-term debtors	21	**11,155.0**	10,517.6
		27,381.9	24,972.8
Current assets			
Short-term debtors	21	**553.3**	616.7
Assets held for sale	22	**19.1**	23.4
Short-term investments	23	**623.5**	203.0
Cash and cash equivalents	24	**1,410.7**	1,504.6
		2,606.6	2,347.7
Current liabilities			
Short-term creditors	25	**(740.4)**	(535.7)
Short-term borrowings	26	**(936.5)**	(745.9)
Short-term right-of-use lease liabilities	14	**(25.7)**	-
Short-term PFI lease liabilities	27	**(9.0)**	(11.0)
Short-term provisions	30	**(124.6)**	(127.8)
		(1,836.2)	(1,420.4)

Corporation Balance Sheet	Note	31 March 2020 £m*	31 March 2019 £m
Long-term liabilities			
Long-term creditors	25	**(20.8)**	(18.7)
Long-term borrowings	26	**(10,757.5)**	(10,404.5)
Long-term right-of-use lease liabilities	14	**(413.6)**	-
Long-term PFI lease liabilities	27	**(111.2)**	(120.3)
Long-term provisions	30	**(23.0)**	(21.4)
Retirement benefit obligation	36	**(4,082.3)**	(5,340.7)
		(15,408.4)	(15,905.6)
Net assets		**12,743.9**	9,994.5
Reserves			
Usable reserves		**1,604.2**	1,627.0
Unusable reserves	38	**11,139.7**	8,367.5
Total reserves		**12,743.9**	9,994.5

The accounting policies and notes on pages 107 to 199 form part of these financial statements. These financial statements were approved by the Board on 29 July 2020 and signed on its behalf by:



Sadiq Khan,
Chair of TfL

Corporation Movement in Reserves Statement

	Note	General fund £m	Earmarked reserves £m	**General fund and earmarked reserves £m**	Street works reserve £m	Capital grants unapplied account £m	**Usable reserves £m**	Unusable reserves £m	**Total reserves £m**
At 1 April 2018		150.0	948.6	**1,098.6**	19.4	671.5	**1,789.5**	7,574.9	**9,364.4**
Movement in reserves during 2018/19									
Surplus on the provision of services		946.0	-	**946.0**	-	-	**946.0**	-	**946.0**
Other comprehensive income and expenditure		-	-	**-**	-	-	**-**	(315.9)	**(315.9)**
Total comprehensive income and expenditure		946.0	-	**946.0**	-	-	**946.0**	(315.9)	**630.1**
Adjustments between accounting basis and funding basis under regulations	39	(438.1)	-	**(438.1)**	1.1	(671.5)	**(1,108.5)**	1,108.5	**-**
Net increase/(decrease) before transfer to/from earmarked reserves		507.9	-	**507.9**	1.1	(671.5)	**(162.5)**	792.6	**630.1**
Transfer to/from earmarked reserves		(507.9)	507.9	**-**	-	-	**-**	-	**-**
Increase/(decrease) in 2018/19		-	507.9	**507.9**	1.1	(671.5)	**(162.5)**	792.6	**630.1**
Balance at 31 March 2019		**150.0**	**1,456.5**	**1,606.5**	**20.5**	**-**	**1,627.0**	**8,367.5**	**9,994.5**
Movement in reserves during 2019/20									
Impact of the implementation of IFRS 16 Leases at 1 April 2019 *		-	-	**-**	-	-	**-**	-	**-**
Surplus on the provision of services		1,047.8	-	**1,047.8**	-	-	**1,047.8**	-	**1,047.8**
Other comprehensive income and expenditure		-	-	**-**	-	-	**-**	1,701.6	**1,701.6**
Total comprehensive income and expenditure		1,047.8	-	**1,047.8**	-	-	**1,047.8**	1,701.6	**2,749.4**
Adjustments between accounting basis and funding basis under regulations	39	(1,073.6)	-	**(1,073.6)**	3.0	-	**(1,070.6)**	1,070.6	**-**
Net increase/(decrease) before transfers to/from earmarked reserves		(25.8)	-	**(25.8)**	3.0	-	**(22.8)**	2,772.2	**2,749.4**
Transfer to/from earmarked reserves		375.8	(375.8)	**-**	-	-	**-**	-	**-**
Increase/(decrease) in 2019/20		350.0	(375.8)	**(25.8)**	3.0	-	**(22.8)**	2,772.2	**2,749.4**
Balance at 31 March 2020		**500.0**	**1,080.7**	**1,580.7**	**23.5**	**-**	**1,604.2**	**11,139.7**	**12,743.9**

* IFRS 16 Leases has been adopted for the first time in 2019/20. 2018/19 comparatives have not been restated for this change. Further information on the impact of the implementation of this new standard is set out in note 45.

Earmarked reserves have been established to finance future projects and form part of the overall funding available for the Investment Programme and revenue projects. Application of funds against specific projects is dependent on the level and mix of other sources of funding also available to fund TfL's Investment Programme.

Corporation Statement of Cash Flows

Year ended 31 March	Note	2020 £m*	2019 £m
Surplus on the provision of services		**1,047.8**	946.0
Adjustments to surplus after tax for non-cash movements	37 a	**(665.5)**	(197.6)
Net cash flows from operating activities		**382.3**	748.4
Investing activities	37 b	**(470.5)**	(660.1)
Financing activities	37 c	**(5.7)**	313.9
(Decrease)/increase in net cash and cash equivalents in the year		**(93.9)**	402.2
Net cash and cash equivalents at the start of the year		**1,504.6**	1,102.4
Net cash and cash equivalents at the end of the year	24	**1,410.7**	1,504.6

* IFRS 16 Leases has been adopted for the first time in 2019/20. 2018/19 comparatives have not been restated for this change. Further information on the impact of the implementation of this new standard is set out in note 45.

Expenditure and Funding Analysis

For the year ended 31 March 2020	Net expenditure chargeable to the General Fund £m	Adjustments between accounting basis and funding basis under regulations (note 39) £m	Total per the Corporation Comprehensive Income and Expenditure Statement £m	Surplus on the provision of services after tax in subsidiaries (note 38) £m	Total per the Group Comprehensive Income and Expenditure Statement £m
Net cost of services					
Underground	(310.0)	-	(310.0)	749.0	439.0
Elizabeth line	(70.0)	-	(70.0)	(146.0)	(216.0)
Buses	(19.0)	-	(19.0)	(749.0)	(768.0)
Streets	(181.3)	3.3	(178.0)	(41.0)	(219.0)
Rail	(24.0)	-	(24.0)	(29.0)	(53.0)
Other operations	(3.0)	-	(3.0)	8.0	5.0
Major projects	(12.0)	-	(12.0)	(25.0)	(37.0)
Property	(4.0)	-	(4.0)	64.0	60.0
Media	(1.0)	-	(1.0)	149.0	148.0
Central items	273.6	(559.6)	(286.0)	(1,049.6)	(1,335.6)
Net cost of services before exceptional items	(350.7)	(556.3)	(907.0)	(1,069.6)	(1,976.6)
Exceptional items	(7.8)	-	(7.8)	(11.5)	(19.3)
Net cost of services after exceptional items	(358.5)	(556.3)	(914.8)	(1,081.1)	(1,995.9)
Other net operating expenditure	-	(0.3)	(0.3)	(30.6)	(30.9)
Financing and investment income	394.3	19.3	413.6	(304.9)	108.7
Financing and investment expenditure	(434.2)	(122.0)	(556.2)	36.3	(519.9)
Grant income	526.6	1,578.9	2,105.5	1,162.6	3,268.1
Group share of loss after tax of joint ventures	-	-	-	(0.1)	(0.1)
Group share of loss after tax of associated undertakings	-	-	-	(52.0)	(52.0)
Surplus on the provision of services before tax	128.2	919.6	1,047.8	(269.8)	778.0
Taxation	-	-	-	(106.8)	(106.8)
Surplus on the provision of services after tax	128.2	919.6	1,047.8	(376.6)	671.2
Employer's pension contributions and direct payments to pensioners payable in the year	(86.1)	86.1	-		
Minimum Revenue provision	(56.1)	56.1	-		
Amortisation of premium on financing	(11.8)	11.8	-		
Net (decrease)/increase in 2019/20	(25.8)	1,073.6	1,047.8		
Balance of General Fund and Earmarked Reserves at 31 March 2019	1,606.5				
Balance of General Fund and Earmarked Reserves at 31 March 2020	1,580.7				

Expenditure and Funding Analysis (continued)

For the year ended 31 March 2019 (restated)*	Net expenditure chargeable to the General Fund £m	Adjustments between accounting basis and funding basis under regulations (note 39) £m	Total per the Corporation Comprehensive Income and Expenditure Statement £m	Surplus on the provision of services after tax in subsidiaries (note 38) £m	Total per the Group Comprehensive Income and Expenditure Statement £m
Net cost of services					
Underground	(237.0)	-	(237.0)	652.0	415.0
Elizabeth line	(27.0)	-	(27.0)	(101.0)	(128.0)
Buses	(33.0)	-	(33.0)	(617.0)	(650.0)
Streets	(195.1)	1.1	(194.0)	(32.0)	(226.0)
Rail	(17.0)	-	(17.0)	9.0	(8.0)
Other operations	(230.0)	-	(230.0)	47.0	(183.0)
Major Projects	(29.0)	-	(29.0)	(18.0)	(47.0)
Property	(3.0)	-	(3.0)	57.0	54.0
Media	(3.0)	-	(3.0)	147.0	144.0
Central items	325.8	(536.6)	(210.8)	(1,064.9)	(1,275.7)
Net cost of services	(448.3)	(535.5)	(983.8)	(920.9)	(1,904.7)
Other net operating expenditure	-	(7.2)	(7.2)	(25.3)	(32.5)
Financing and investment income	372.0	98.0	470.0	(321.2)	148.8
Financing and investment expenditure	(410.0)	(112.8)	(522.8)	47.5	(475.3)
Grant income	1,190.9	798.9	1,989.8	1,025.7	3,015.5
Group share of loss after tax of associated undertakings	-	-	-	(94.5)	(94.5)
Surplus on the provision of services before tax	704.6	241.4	946.0	(288.7)	657.3
Taxation income	-	-	-	2.0	2.0
Surplus on the provision of services after tax	704.6	241.4	946.0	(286.7)	659.3
Employer's pension contributions and direct payments to pensioners payable in the year	(166.3)	166.3	-		
Minimum Revenue provision	(18.7)	18.7	-		
Amortisation of premium on financing	(11.7)	11.7	-		
Net increase in 2018/19	507.9	438.1	946.0		
Balance of General Fund and Earmarked Reserves at 1 April 2018	1,098.6				
Balance of General Fund and Earmarked Reserves at 31 March 2019	1,606.5				

* The divisional split of net cost of services has been restated to reflect revised internal management operating segments.

Accounting policies

a) Code of practice

TfL is required to prepare an annual Statement of Accounts under Section 3 of the Local Audit and Accountability Act 2014, and by the Accounts and Audit Regulations 2015 (the 2015 Regulations). The 2015 Regulations require the Statement of Accounts to be prepared in accordance with proper accounting practices. The Statement of Accounts have therefore been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code), developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Local Authority (Scotland) Accounts Advisory Committee (LASAAC) Code Board under the oversight of the Financial Reporting Advisory Board. The Code constitutes proper accounting practice for the purpose of the 2015 Regulations.

The Code for 2019/20 is based on International Financial Reporting Standards (IFRS) adopted by the EU (Adopted IFRS) and interpretations of the International Financial Reporting Interpretations Committee, except where these are inconsistent with specific statutory requirements. It requires that local authorities prepare their financial statements in accordance with the International Accounting Standards Board (IASB) 'Framework for the Preparation and Presentation of Financial Statements' as interpreted by the Code.

CIPFA/LASAAC announced its plans to delay implementation of IFRS 16 in the Code until 1 April 2021. IFRS 16 Leases (mandatory for years beginning on or after 1 January 2019 under Adopted IFRS) replaces the previous guidance in IAS 17 on leases. However, as a significant proportion of the Group's activities are conducted through subsidiary companies, which are obliged, under EU Adopted IFRS, to apply IFRS 16 from 1 April 2019, CIPFA has included a provision in the 2019/20 Code that allows TfL to adopt IFRS 16 from the same date. The Group has therefore adopted IFRS 16 in these financial statements from 1 April 2019. 2018/19 comparatives have not been restated for the impact of the change. Further details may be found in the Accounting Policies note on leases, and in note 45.

The areas where the Code differs materially from Adopted IFRS are listed below:

Capital grants and contributions

Capital grants and contributions are recognised immediately in the Comprehensive Income and Expenditure Statement once there is reasonable assurance that all conditions relating to those grants have been met. Under Adopted IFRS capital grants and contributions are recorded as deferred income and recognised in the Comprehensive Income and Expenditure Statement over the useful life of the asset.

FRS 102 The Financial Reporting Standard: Heritage assets

The Code has adopted the requirements of FRS 102 in respect of its rules on accounting for heritage assets. The Group has taken the exemption available under the Code to hold heritage assets at historical cost less any accumulated depreciation or impairment losses and has made additional disclosures on its heritage assets as required by the standard. There is no equivalent standard for accounting for heritage assets under Adopted IFRS.

IAS 36 Impairment of Assets

The Code requires that impairments be accounted for in accordance with IAS 36 Impairment of Assets, except where interpretations or adaptations to fit the public sector are detailed. Consequently, these financial statements have been prepared in accordance with the guidance contained in IPSAS 21 Impairment of Non-Cash-Generating Assets and IPSAS 26 Impairment of Cash-Generating Assets. This guidance stipulates that where an asset is not held primarily with the intention of generating a commercial return, that asset's value in use should be regarded as the present value of its remaining service potential, rather than the present value of the future cash flows that are expected to be derived from it.

Peppercorn rents

The Code includes an adaptation to IFRS 16 Leases in respect of the accounting for peppercorn lease arrangements for lessees. Leases with payments at peppercorn or nominal consideration that are provided at substantially below market terms, and leases for nil consideration, are accounted for as follows:
(a) Any portion of the lease that is payable is accounted for in the same way as other lease obligations under IFRS 16 Leases
(b) The difference between the present value of any future lease payments due and the fair value of the lease on initial recognition is recognised as a fair value right-of-use asset on the balance sheet, with a corresponding gain recognised in grant income within the surplus or deficit recognised on the provision of services.

TfL has a number of leases over property and other transport infrastructure under which it pays £nil or peppercorn rents. A majority of these leases were held at peppercorn rents by a previous lessee prior to the leases being taken on by TfL. We have undertaken an exercise to assess the fair value of the assets leased under these arrangements and has concluded that they have no material value. No amounts have therefore been recorded in the financial statements in 2019/20 in respect of these leases.

b) Basis of preparation

The accounts are made up to 31 March 2020. The Corporation is a single service authority and all expenditure is attributable to the provision of highways, roads and transport services.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

The accounts have been prepared under the accruals concept and in accordance with the historical cost accounting convention, modified by the revaluation of certain categories of non-current asset and financial instrument.

Where items are sufficiently significant by virtue of their size or nature, they are disclosed separately in the financial statements in order to aid the reader's understanding of the Corporation's and Group's financial performance.

Accounting policies (continued)

c) Basis of consolidation

The Code requires local authorities with, in aggregate, material interests in subsidiary and associated companies and joint ventures, to prepare group financial statements.

The Group financial statements presented with the Corporation's financial statements consolidate the individual financial statements of TfL and its subsidiary undertakings. A subsidiary undertaking is an undertaking controlled by the Corporation. Control is achieved: when the Corporation has power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns. The Corporation reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of these elements of control.

The Group incorporates its share of the profits or losses and its share of the net assets of associated undertakings and joint ventures using the equity accounting method. Associate undertakings are those where the Group is considered to have the power to significantly influence, but not control, the financial and operating policies of the investee. Joint ventures are those where the Group has an interest in the net assets of an investee and has joint control over its financial and operating policies.

The acquisition method of accounting has been adopted for acquisitions or disposals into the Group of subsidiary undertakings. Under this method, the identifiable assets and liabilities of an acquired entity are recorded at their fair values at the date of acquisition. Costs of acquisition are expensed in line with IFRS 3 (revised) Business Combinations. The results of subsidiary undertakings acquired or disposed of are included in the Group Comprehensive Income and Expenditure Statement from the date of acquisition until the date of disposal.

d) Going concern

The financial statements have been prepared on a going concern basis as it is considered by the Board that TfL will continue in operational existence for the foreseeable future and meet its liabilities as they fall due for payment.

As set out in the Narrative Report and Financial Review, the coronavirus pandemic has had a significant impact on the finances of the TfL Group. TfL has modelled the impact of a number of revenue scenarios based on Imperial College's modelling and TfL's own modelling of demand reductions across our network in London. These indicated a potential reduction in passenger revenue of £1.4bn - £3.5bn by the end of 2020/21. As a consequence, and alongside seeking opportunities to further minimise its expenditure and maximise its other sources of income, TfL has worked and continues to work closely with the Government to secure additional support to alleviate the financial impact of the pandemic on the Group.

In addition to making use of the Government's Job Retention Scheme, TfL has also secured an Extraordinary Funding and Financing Agreement from the Secretary of State for Transport which gives it secure access to funding in the form of a mixture of Government grant and borrowing from the PWLB for an initial Support Period until 17 October 2020. At that point in time, as the longer-term impact of the coronavirus outbreak becomes clearer, agreement of a further, medium-term support package is planned in order to allow TfL to continue operating and supporting the Government in its efforts to fight the coronavirus pandemic.

Material uncertainties remain as to the level of support that will be agreed, and what this means for the shape of TfL's planned future activities. These uncertainties cast significant doubt over TfL's ability both to continue operating the level of services currently provided and to continue with all projects included currently in the capital investment plan. As part of the wider Government review of the Group, a review is underway of the capital programme to identify which projects can and will be funded to completion. Management have undertaken an exercise to categorise TfL's current and planned future capital investment projects according to their relative funding priority, taking into consideration such factors as health and safety requirements, the phase at which a project sits in its lifecycle, Government and mayoral priorities, sources of funding and penalties that may be incurred if projects are paused or permanently halted.

As at 31 March 2020, TfL had capital projects in the course of construction totalling £19.3bn, of which £14.0bn related to Crossrail and £1.3bn to the Four Lines Modernisation project. The remaining balance related to a range of projects across the network at varying stages of completion. Through the work outlined above, and through ongoing current discussions with the Government and the GLA, management believe that all projects in progress at 31 March 2020 should continue to be funded. However, until the review is complete and a longer-term financing package formally agreed, a material level of uncertainty remains as to whether all projects in the course of construction at 31 March 2020 will be fully funded to completion. Uncertainty also exists in respect of the levels of future funding available to support our operational services. If future funding levels are set such that the level of services currently operated needs to be revised, some assets in use as at 31 March may no longer have the useful economic lives assumed in these financial statements. If projects or non-essential elements of in-progress projects are not funded, or if changes in services provided are required, there could be a possible impairment of carrying values at 31 March 2020, which is not reflected in these financial statements.

As at 31 March 2020, the Group had usable reserves totalling £1,604.2m.

Accounting policies (continued)

e) The application of new and revised standards

The Code stipulates that the requirements of IFRS and other pronouncements by the International Accounting Standards Board (as adopted by the EU) be applied unless specifically adapted or otherwise stated by the Code. The following new standards and amendments have therefore been applied for the first time in these financial statements:

- IFRS 16 (mandatory for years beginning on or after 1 January 2019) was issued in January 2016, replacing IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

  IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The Group applied this standard from 1 April 2019 (the date of initial application).

  The Group adopted IFRS 16 from 1 April 2019, using the modified retrospective approach. Under this approach, the cumulative effect of adopting IFRS 16 was recognised as an adjustment to the opening balance of reserves at 1 April 2019, with no restatement of comparative information. More details surrounding the impact of application of this new standard are set out in note 45.

- Inter-Bank Offered Rate (IBOR) Reform - Phase 1 amendments to IFRS 9 Financial Instruments (IFRS 9) and IFRS 7 Financial Instruments: Disclosures (IFRS 7) were issued in September 2019. The effective date of the amendments is for annual periods beginning on or after 1 January 2020, with early application permitted. The Phase 1 amendments contain a temporary exception from applying specific hedge accounting requirements pre-IBOR reform.

  TfL has early adopted the Phase 1 amendment and applied the temporary exception in IFRS 9 on hedge relationships directly affected by the IBOR reform.

  Specifically, a portion of TfL's floating rate borrowing and certain floating rate lease liabilities, which have been hedged to fixed rate debt using interest rate swaps, are affected by the market-wide replacement of London Inter-Bank Offered Rate (LIBOR) by alternative risk-free reference rates. The notional amount of interest rate swaps that were designated in hedge relationships, and affected by the reform, at 31 March 2020 was £433.6m.

  By applying the exception in relation to the required prospective assessment of the existence of an economic relationship between the hedged items and hedging instruments for these hedge relationships, TfL assumes the interest rate benchmark on which the hedged risk is based is not altered as a result of the IBOR reform.

  A Group-wide project is in progress to manage the transition to alternative benchmark rates.

f) Accounting standards that have been issued but have not yet been adopted

The following revisions to IFRS are expected to be applicable in future periods, subject to endorsement where relevant. These have been issued by the EU, but have not been applied in these financial statements:

- Amendments to IFRS 3 Definition of a business. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

  Additional guidance is provided to help determine whether a substantive process has been acquired.

  The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets.

  The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020, with early application permitted.

- Amendments to IAS 1 and IAS 8 Definition of material. The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition.

  The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'.

  The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of material or refer to the term 'material' to ensure consistency.

  The amendments are applied prospectively for annual periods beginning on or after 1 January 2020, with earlier application permitted.

- The Conceptual Framework for Financial Reporting. The IASB issued the Conceptual Framework in March 2018. It sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards.

Accounting policies (continued)

The Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

For preparers who develop accounting policies based on the Conceptual Framework, it is effective for annual periods beginning on or after 1 January 2020.

- IFRS 17 Insurance Contracts (mandatory for years commencing on or after 1 January 2023). IFRS 17 will replace IFRS 4 and provides an accounting model for insurance contracts that is more useful and consistent for insurers than existing standards. This standard is not applicable to the TfL Group.

- Issuance of Inter-Bank Offered Rate (IBOR) Reform – Phase 2 amendments to IFRS 9 and IFRS 7 is anticipated in 2020 and is expected to address potential financial reporting implications when an existing interest rate benchmark is replaced with an alternative.

The Group does not consider that any standards, amendments or interpretations issued by the IASB, but not yet applicable, other than those indicated in the paragraphs above, will have a significant impact on the financial statements.

g) Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative Comprehensive Income and Expenditure Statement is re-presented as if the operation had been discontinued from the start of the comparative period.

h) Uses of estimates and judgements

The preparation of financial statements in conformity with the Code requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions or estimates are significant to the financial statements are disclosed below. It is not considered likely that any reasonably possible changes in key assumptions in the next 12 months would have a material impact on the carrying amounts of balance sheet items not already held on the balance sheet at fair value.

Use of judgement

Determining whether an arrangement contains a lease

In determining whether an arrangement contains a lease, as required by IFRS 16 Leases, there is significant judgement in determining whether the arrangement conveys the right to control the use of an identified asset and in determining the lease term particularly in respect of whether the Group is reasonably certain to exercise extension options or renewal options.

For arrangements where TfL is a lessor there is significant judgement involved in respect of whether the arrangement is a finance or an operating lease.

Classification of investment properties

IAS 40 Investment Property (IAS 40) requires that properties be classified as investment properties where they are held for the purpose of capital appreciation or to earn rentals. The Group owns a number of commercial properties as part of its infrastructure where part of the property is leased out to third parties. Judgement needs to be exercised in determining whether these properties should be classified as investment properties in accordance with IAS 40. As investment properties are valued at fair value with movements in the fair value being recorded in the Comprehensive Income and Expenditure Statement this could have a significant effect on the financial performance of the Group.

Availability of future capital funding

In assessing whether any impairment of the carrying value of assets under construction on the balance sheet date is required, management exercises judgement as to the level of funding that may be available to fund future expenditure on these projects through to completion. If insufficient future funding is anticipated, management reviews the carrying value of existing assets under construction for possible impairment.

Capitalisation of assets with third party interest

In assessing situations where TfL assets are constructed on, or have significant involvement with, external third parties, judgement is exercised in determining whether substantially all the risks and rewards of ownership of the asset are held by the Group.

Use of estimates

Useful economic life of property, plant and equipment

In determining the useful economic life of property, plant and equipment management estimate the length of time that the assets will be operational.

Post-retirement benefits

The pension costs and defined benefit plan obligations of the Group's defined benefit plans are calculated on the basis of a range of assumptions, including the discount rate, inflation rate, salary growth and mortality. Differences arising as a result of actual experience differing from the assumptions, or future changes in the assumptions will be reflected in subsequent periods. A small change in assumptions can have a significant impact on the valuation of the liabilities. More details are given in note 36.

Financial derivative instruments

The Group uses financial derivative instruments to manage certain exposures to fluctuations in foreign currency exchange rates and interest rates. In making its assessment and judgements, the Group assesses the effectiveness of the derivatives and changes in their fair values. Note 35 and Accounting Policy aj) on financial instruments provide detailed

Accounting policies (continued)

information about the key assumptions used in the determination of the fair value of financial instruments, as well as a sensitivity analysis for these assumptions. Management believe that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

Provisions

Estimation techniques are employed in the calculation of the best estimate of the amount required to settle obligations, including determining how likely it is that expenditure will be required by the Group. This can be very complex, especially when there is a wide range of possible outcomes. More details are given in note 30.

Expected credit loss allowance

The expected credit loss allowance recognised in respect of financial assets is based on a forward-looking probability-weighted measure considering reasonable and supportable information on past events, current conditions and the time value of money. As at 31 March 2020, management were required to make estimates regarding future losses based on the impact of the coronavirus outbreak on credit risk. Given the unprecedented nature of the pandemic, a greater than usual level of judgement was involved in reaching this estimate.

Investment property

Investment property, which is property held to earn rentals and/or capital appreciation, is stated at its fair value (open market value), as estimated by external, professionally qualified surveyors in accordance with Royal Institution of Chartered Surveyors (RICS) guidelines. Gains and losses from changes in the fair value of investment property are included in the Comprehensive Income and Expenditure Statement for the period in which they arise.

Market activity has been impacted in many sectors by the coronavirus pandemic. As at 31 March 2020, our valuers were able to attach less weight to previous market evidence for comparison purposes in informing their opinions of value. The valuations included in these financial statements are therefore reported as being subject to 'material valuation uncertainty' as set out in VPS 3 and VPGA 10 of the RICS Valuation – Global Standards. Consequently, less certainty and a higher degree of caution should be attached to these values than would normally be the case.

Office buildings

Owner-occupied office buildings held within property, plant and equipment are held at existing use value, as estimated by external, professionally qualified surveyors in accordance with RICS guidelines. Movements in the fair value of the property are taken to the revaluation reserve. Market activity has been impacted in many sectors by the coronavirus pandemic. As at 31 March 2020, our valuers were able to attach less weight to previous market evidence for comparison purposes in informing their opinions of value. The valuations included in these financial statements are therefore reported as being subject to 'material valuation uncertainty' as set out in VPS 3 and VPGA 10 of the RICS Valuation – Global Standards. Consequently, less certainty and a higher degree of caution should be attached to these values than would normally be the case.

Leases

When the interest rate implicit in the lease cannot be readily determined, TfL's incremental borrowing rate (IBR) at the lease commencement date is used to calculate the present value of the lease payments. This is the interest rate that the lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. When no observable inputs are available, the Group estimates the IBR, making assumptions to reflect the terms and conditions of the lease and certain entity-specific estimates. These assumptions include the consideration of a number of components including the risk-free rate, the lease term, the credit spread and adjustments related to the specific nature of the underlying asset.

Valuation of peppercorn leases

TfL has a number of leases over property and other transport infrastructure under which it pays £nil or peppercorn rents. It has undertaken an exercise to assess the fair value of the assets leased under these arrangements and has concluded that they have no material value. No amounts have therefore been recorded in the financial statements in 2019/20 in respect of these leases.

i) Revenue recognition

Revenue includes income generated from the provision of travel, other fees and charges, the letting of commercial advertising space and the rental of commercial properties.

Revenue is measured after the deduction of value-added tax (where applicable).

Fares revenue

Revenue from annual or periodic tickets and Travelcards is recognised in the Comprehensive Income and Expenditure Statement on a straight-line basis over the period of validity of the ticket or Travelcard as TfL has a stand ready obligation to provide unlimited travel over the period of validity of the ticket or Travelcard. Oyster pay as you go revenue is recognised on usage and one-day Travelcards and single tickets are recognised on the day of purchase.

Revenue received in advance and not recognised in the Comprehensive Income and Expenditure Statement is recorded in the Balance Sheet and held within current liabilities – contract liabilities representing creditors' receipts in advance for Travelcards, bus passes and Oyster cards.

Revenue in respect of free and reduced fare travel for older customers and disabled customers

Revenue from the London Borough Councils in respect of free travel for older and disabled customers is recognised on a straight-line basis over the financial year to which the settlement relates, as TfL has a stand ready obligation to provide unlimited travel over the financial year to which the settlement relates.

Congestion charging

The standard daily congestion charge, including those paying through auto-pay, is recognised as income on the day the eligible vehicle enters the Congestion Charge zone.

Accounting policies (continued)

Income from penalty charge notices is recognised at an amount adjusted for the probability of cancellation, as payment becomes due. Each increase in charge results in income being recognised in full at the date the increase is applied.

Road network compliance
Income from penalty charge notices for traffic and parking infringements on red routes is recognised as it becomes due. Each increase in charge results in income being recognised in full at the date the increase is applied.

Taxi licensing
Income from taxi and private hire licences is recognised on a straight-line basis over the term of the licence.

Commercial advertising
TfL grants a concessionaire partner control over certain advertising assets to facilitate the generation of advertising income across its estate and receives income from this arrangement. This is considered a lease arrangement for accounting purposes.

Where the arrangement is viewed as an operating lease under IFRS 16, revenue is recognised on a straight-line basis over the term of the contract.

Where the arrangement is viewed as a finance lease (where the lease transfers substantially all the risks and rewards of ownership of the underlying asset to the third party), a lease receivable is recognised. Finance income is recognised over the term of the lease, based on a pattern reflecting a constant periodic rate of return on the lease receivable. Lease receipts are allocated between reducing the principal balance and interest income.

TfL, through its concessionaire partner, also sells advertising space to customers and receives income from such arrangements under a revenue share agreement with its concessionaire. Revenue share income is dependent upon the revenue generated by the concessionaire and is therefore contingent in nature. Such revenue is recognised in the period when it is earned.

The Group receives performance monitoring credits when certain performance standards are not met. The performance monitoring credits are recognised as revenue when they are earned.

Rental income
Rental income from operating leases of properties, ATMs and car parks is recognised on a straight-line basis over the term of the lease. Rent-free periods, incentives, or fixed annual increases in the lease payments are spread on a straight-line basis over the lease term. Any inflation linked annual increases in rentals are treated as contingent rents and are recognised as income when they occur.

For finance leases, where the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset to the customer, a lease receivable is recognised. Finance income is recognised over the term of the lease, based on a pattern reflecting a constant periodic rate of return on the lease receivable. Lease receipts are allocated between reducing the principal balance and interest.

Third-party contributions to operating costs
Revenue from third-party contributions to operating costs is earned on services performed by TfL in conjunction with other organisations or Government in relation to works such as dropping curbs, building roundabouts, installing traffic lights, installing shelters, escalators or elevators in stations, installing bus shelters, etc.

Revenue from third-party contributions is measured on the basis of progress towards completion, calculated using the proportion of costs incurred to date in relation to the total costs to be incurred on the entire project.

Cycle hire scheme revenues
Sponsorship revenue is recognised on a straight-line basis over the term of the contract as it represents an obligation to provide branding promotion to the customer during the period of the contract.

Annual memberships scheme revenue is recognised on a straight-line basis over the membership period, as it represents an obligation to provide specific numbers of memberships to clients during the membership period.

Daily access fees are recognised upon providing the customer with access to the bicycles.

Museum income

Store sales
Revenue from store sales is recognised at the point of sale to the customer.

Venue hire revenue
Revenue from venue hire is recognised on the date when the space is provided to the customer.

Venue hire catering commission
Venue hire catering commission is recognised upon completion of the event based on the estimated consideration receivable from the customer.

Corporate membership scheme
Corporate membership scheme revenue is recognised on a straight-line basis over the period of membership, as it represents a stand-ready obligation to provide unlimited entry during the period of membership.

Café concessionaire commission
Revenue from café concessionaire commission income is recognised over the term of the concessionaire contract and measured based on the estimated consideration receivable from the concessionaire in each period.

Ticket and photocard commission income
Revenue from ticket and photocard commission income is recognised upfront when the ticket or photocard is issued.

j) Segmental reporting

In accordance with the Code, the Group's operating segments have been determined by identifying the segments whose operating results are reviewed by the Board, when making decisions regarding the allocation of resources and for the assessment of performance.

The operating segments of the Group and their principal activities are as follows:

- Underground – Provision of passenger rail services on the London Underground and refurbishment and maintenance of certain parts of the rail network

Accounting policies (continued)

- Elizabeth line – Delivery of passenger rail services on the Elizabeth line and services currently operating as TfL Rail
- Buses – Provision of bus services
- Streets – Maintenance of London's roads and cycle routes
- Rail – Provision of passenger rail services through contracted third-party operators on the Docklands Light Railway, London Overground and London Trams
- Other operations – Provision of other operations, including Dial-a-Ride, London River Services, Taxi and Private Hire, Santander Cycles, Victoria Coach Station and Emirates Air Line
- Major projects – Delivery of TfL's largest and most complex infrastructure projects
- Property – Investment in our commercial and residential estate and building portfolio
- Media – Advertising estate and digital marketing infrastructure

k) Exceptional items

Exceptional costs are costs that are unusual, infrequent and which do not occur in the normal course of operations. An unusual event or transaction has a high degree of abnormality and is clearly unrelated to (or only incidentally related to) the ordinary activities of the organisation, taking into account the operating environment. Infrequent refers to events and transactions that would not reasonably be expected to recur in the foreseeable future, taking into account the operating environment.

The significant costs incurred in relation to the coronavirus pandemic, such as costs incurred in bringing construction projects to a Safe Stop, have been considered exceptional items. These costs have been identified separately below the net cost of services on the face of the Comprehensive Income and Expenditure Statement.

l) Grants and other funding

The main source of grant funding during 2018/19 and 2019/20 was a share of Business Rate Retention received from the GLA, which is classified as a resource grant; and specific capital grants from the GLA for the Crossrail project.

In the accounts of the Corporation and Group, all non-specific grants are credited to the Comprehensive Income and Expenditure Statement upon receipt or when there is reasonable assurance that the grant will be received. If a capital grant is received but has certain conditions as to when it may be applied, it will be held, in the first instance, as capital grant received in advance, within the payables section of the Balance Sheet. Once any relevant conditions have been met, the capital grant is credited to the Comprehensive Income and Expenditure Statement.

Where expenditure on property, plant and equipment is financed either wholly or partly by capital or non-specific grants or other contributions, the amount of the grant applied is credited to the Capital Adjustment Account through the Movements in Reserves Statement. Amounts not utilised in the year are credited to the Capital Grants Unapplied Account, a usable reserve, for application in future periods.

Amounts of non-specific grants not used in the year are credited to the General Fund balance or to an Earmarked Reserve for specific use in future periods, where appropriate.

m) Overheads

Overheads are recognised in the Comprehensive Income and Expenditure Statement on an accruals basis.

n) Financing and investment income and expenses

Financing and investment income comprises interest income on funds invested, interest received in relation to finance leases, and premia received on the early settlement of borrowings. Interest income is recognised in the Comprehensive Income and Expenditure Statement as it accrues, using the effective interest rate method.

Financing and investment costs comprise the interest expense on borrowings and lease liabilities and the net financing cost on defined benefit pension obligations. Also included are premia paid on the early settlement of borrowings and interest rate derivatives. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in the Comprehensive Income and Expenditure Statement using the effective interest rate method (see also Accounting Policy z) Borrowing costs).

Also included within financing and investment income or expenditure are fair value gains or losses recognised in relation to the revaluation of investment properties, and any profits or losses recognised on disposal of investment properties.

o) VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

p) Taxation

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in the Comprehensive Income and Expenditure Statement except to the extent that they relate to a business combination, or to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable profit or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Accounting policies (continued)

Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are disclosed net to the extent that they relate to taxes levied by the same authority and the Group has the right of offset.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

q) Business combinations

On the acquisition of a business, fair values are attributed to the identifiable assets and liabilities and contingent liabilities unless the fair value cannot be measured reliably in which case the value is subsumed into goodwill. Where fair values of acquired contingent liabilities cannot be measured reliably, the assumed contingent liability is not recognised but is disclosed in the same manner as other contingent liabilities.

Goodwill is the difference between the fair value of the consideration payable and the fair value of net assets acquired.

r) Intangible assets

Goodwill

Where the cost of a business combination exceeds the fair values attributable to the net assets acquired, the resulting goodwill is capitalised and tested for impairment at each balance sheet date. Goodwill is allocated to income-generating units for the purpose of impairment testing.

Other intangible assets

Software costs are measured at cost less accumulated depreciation and accumulated impairment losses.

Where components of an asset are significant in value in relation to the total value of the asset as a whole, and they have substantially different economic lives, they are recognised separately.

Amortisation is charged to the Comprehensive Income and Expenditure Statement on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use, unless such lives are indefinite.

The useful lives and amortisation methods for software costs are as follows:

Software costs	Straight-line	up to 10 years

s) Property, plant and equipment

Recognition and measurement

Infrastructure consists of roads, tunnels, viaducts, bridges, stations, track, signalling, bus stations and stands; properties attached to infrastructure which are not separable from infrastructure; and properties attached to infrastructure that are used to facilitate the service provision but are limited in use by operational constraints. Some of these properties generate revenues which are considered incidental to the Group's activities.

Infrastructure, plant and equipment and rolling stock are measured at cost less accumulated depreciation and accumulated impairment losses. Assets under construction are measured at cost less any recognised impairment loss.

Owner-occupied office buildings are valued at existing use value by external, professionally qualified surveyors in accordance with RICS Guidelines. Existing use value is the estimated amount for which a property should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction disregarding potential alternative uses and any other characteristics of the asset that would cause its market value to differ from that needed to replace the remaining service potential at the measurement date. In determining the existing use value, the capitalisation of net income method and the discounting of future cash flows to their present value has been used. This is based upon various assumptions including the anticipated future rental income, maintenance costs and the appropriate discount rate, making reference to market evidence of transaction prices for similar properties. A deduction is made to reflect purchaser's acquisition costs. Properties are therefore categorised as Level 3 in the fair value hierarchy, as the measurement technique uses significant unobservable inputs to determine the fair value measurements. Valuations are performed on a rolling basis, with approximately 75 per cent of the portfolio by value being valued each year. Between formal valuations values are adjusted by the application of annual indexation. Movements in the value of the property are taken to the Revaluation Reserve, with the exception of permanent diminutions in value which are recognised in profit or loss.

The cost of certain items of property, plant and equipment was determined by reference to a revalued amount determined under a previous accounting regimen. The Group elected to apply the optional exemption to use this previous valuation as deemed cost at 1 April 2009, the date of transition to IFRS.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, borrowing costs on qualifying assets for which the commencement date for capitalisation is on or after 1 April 2009, and any other costs directly attributable to bringing the assets to a working condition for their intended use. Where there is a legal obligation to remove the asset and/or restore the site on which it is located at the end of its useful economic life, the costs of dismantling and removing the items and restoring the site on which they are located are also included in the cost of the asset.

Accounting policies (continued)

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. When components are replaced, the costs of the overhaul are capitalised as additions and the carrying amounts of the replaced components are written off to profit or loss.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the item, and are recognised net within other gains and losses in the Comprehensive Income and Expenditure Statement.

Depreciation

Depreciation is calculated on the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less the expected residual value at the end of its useful economic life.

Depreciation is recognised in the Comprehensive Income and Expenditure Statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

Tunnels and embankments	up to 120 years
Bridges and viaducts	up to 120 years
Track	up to 120 years
Road pavement	up to 40 years
Road foundations	up to 50 years
Signalling	up to 40 years
Stations	up to 120 years
Other property	up to 120 years
Rolling stock	up to 50 years
Lifts and escalators	up to 40 years
Plant and equipment	up to 75 years
Computer equipment	up to 15 years

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate, the effect of such adjustment being prospectively recognised as a change of estimate.

t) Heritage assets

Property, plant and equipment includes a number of assets classified as heritage assets in accordance with the Code. Heritage assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. These provisions apply to the collection of transport-related artefacts held at London Transport Museum. Owing to the diverse nature of the assets held and the lack of comparable market values, the cost of obtaining a valuation of TfL's heritage assets is such that it would not be commensurate with the benefits provided to users of the financial statements. TfL has therefore taken the exemption available under the Code to hold its heritage assets at historical cost less any accumulated depreciation or impairment losses.

u) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the supply of services or for administrative purposes.

Investment property is measured initially at cost, including transaction costs, and subsequently measured at fair value with any change therein recognised in profit or loss. During 2019/20, as part of an exercise undertaken by management to create a consolidated commercial property portfolio, new lease structures created allowed the recognition, for the first time, of newly separable investment property assets which have been recorded within investment property at fair value at the date of creation of the lease structure. Due to the fact that these assets have been created through the separation of new lease structures from larger items of transport infrastructure (included within property, plant and equipment) these valuation gains have been recognised directly within other comprehensive income.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting. Investment properties held at fair value are not subject to depreciation.

Investment properties are valued at fair value by external, professionally qualified surveyors in accordance with RICS Guidelines. Fair value is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion. The methodology assumes the valuation is based on the highest and best use of the asset. In determining the fair value, the capitalisation of net income method and the discounting of future cash flows to their present value has been used. This is based upon various assumptions including the anticipated future rental income, maintenance costs and the appropriate discount rate, making reference to market evidence of transaction prices for similar properties. A deduction is made to reflect purchaser's acquisition

Accounting policies (continued)

costs. Properties are therefore categorised as Level 3 in the fair value hierarchy, as the measurement technique uses significant unobservable inputs to determine the fair value measurements.

Properties with a carrying value in excess of £5,000,000 are valued annually. Properties with a value in excess of £250,000 but less than £5,000,000 are revalued at least every three years. Properties with a value in excess of £100,000 but less than £250,000 are revalued at least every five years. Between formal valuations fair values are adjusted by the application of annual indexation.

v) Investment in joint ventures

A joint venture is a type of joint arrangement wherein the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investment in its joint venture is accounted for using the equity method. Under the equity method, the investment is initially recognised on the Balance Sheet at cost and is thereafter adjusted to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture.

w) Investment in associated undertakings

An associate is an entity over which the Group has significant influence, but not control. The results and assets and liabilities of associates are incorporated in these consolidated accounts using the equity method of accounting from the date on which the investee becomes an associate. Under the equity method, the investment is initially recognised on the Balance Sheet at cost and is thereafter adjusted to recognise the Group's share of the profit or loss and other comprehensive income of the associate.

x) Inventories

Inventories consist primarily of fuel, uniforms, and materials required for the operation of services and maintenance of infrastructure. Equipment and materials held for use in a capital programme are accounted for as inventory until they are issued to the project, at which stage they become part of assets under construction.

Inventories are stated at cost less a provision for excess and obsolete inventories. Cost comprises direct materials, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method.

y) Assets held for sale

Long-term assets (and disposal groups comprising a group of assets and potentially some liabilities that an entity intends to dispose of in a single transaction) are classified as held for sale if; their carrying amount will be recovered principally through sale rather than continuing use, they are available for immediate sale and sale is highly probable.

On initial classification as held for sale, long-term assets or disposal groups are measured at the lower of their previous carrying amount and fair value less costs to sell. No amortisation or depreciation is charged on long-term assets (including those in disposal groups) classified as held for sale.

z) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets (those necessarily taking a substantial period of time to get ready for their intended use) are added to the cost of those assets, until such time as the assets are ready for their intended use. The Group has opted to use the date of transition to IFRS (1 April 2009) as the effective date for applying IAS 23 Borrowing Costs (IAS 23).

All other finance and borrowing costs are recognised in the Comprehensive Income and Expenditure Statement in the period in which they are incurred.

aa) Provisions

Provisions are recognised on the Balance Sheet when a present legal or constructive obligation exists for a future liability in respect of a past event and where the amount of the obligation can be estimated reliably. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material.

ab) Foreign currencies

Transactions in currencies other than sterling are recognised at the rates of exchange prevailing at the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for exchange differences on transactions entered into in order to hedge certain foreign currency risks (see Accounting Policy aj) below for hedging accounting policies).

Accounting policies (continued)

ac) Leases (the Group as lessee)

As explained above, the Group has changed its accounting policy for leases where the Group is the lessee. The new accounting policy is described below, and the impact of the change is set out in note 45.

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Group the right to control the use of the underlying asset.

The lease liabilities arising from a lease are initially measured on a present value basis comprising the following lease payments:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option
- lease payments to be made under reasonably certain extension options

The lease payments are discounted using the TfL Group's incremental borrowing rate, being the rate the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

TfL's incremental borrowing rate for each tenor consists of two elements: an underlying rate, which is the UK Gilt rate and a credit spread representing the percentage payable above the underlying rate to reflect the credit profile of the TfL Group. TfL has a number of outstanding public bonds that can be used to estimate the credit spread payable for a range of tenors. For rolling stock leased assets, an adjustment to the rate was made to reflect the additional credit risk inherent in these lease arrangements.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate takes effect, then the lease liability is re-measured using the changed cash flows and changed discount rate. Further, a corresponding adjustment is also made to the right-of-use asset.

Lease payments are allocated between the repayment of principal and a finance cost. The finance cost is charged to the Comprehensive Income and Expenditure Statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The right-of-use assets are measured at cost comprising the following:

- the amount of initial measurement of lease liability
- any lease payments made at or before the commencement date, less any lease incentives received
- any initial direct costs
- restoration costs

The right-of-use assets are generally depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term. If it is reasonably certain that the Group will exercise a purchase option, then the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and with low-value assets are recognised on a straight-line basis as an expense in the Comprehensive Income and Expenditure Statement. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

IFRS 16 permits the use of a practical expedient that permits lessees to make an accounting policy election, by class of underlying asset, to account for each separate lease component of a contract and any associated non-lease components as a single lease component. Contracts for bus services contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. TfL's accounting policy is to apply this expedient to other equipment as a class of underlying asset. If the non-lease components over the contract duration total less than 5 per cent of the total contract value or £500,000, whichever is lower, then the non-lease and lease components are treated as a single lease.

Peppercorn leases

Leases with payments at peppercorn or nominal consideration that are provided at substantially below market terms, and leases for nil consideration, are accounted for as follows:
(a) Any portion of the lease that is payable is accounted for in the same way as other lease obligations under IFRS 16 Leases
(b) The difference between the present value of any future lease payments due and the fair value of the lease on initial recognition is recognised as a fair value right-of-use asset on the balance sheet, with a corresponding gain recognised in grant income within the surplus or deficit recognised on the provision of services.

TfL has a number of leases over property and other transport infrastructure under which it pays £nil or peppercorn rents. A majority of these leases were held at peppercorn rents by a previous lessee prior to the leases being taken on by TfL. We have undertaken an exercise to assess the fair value of the assets leased under these arrangements and has concluded that they have no material value. No amounts have therefore been recorded in the financial statements in 2019/20 in respect of these leases.

Accounting policies (continued)

ad) Leases (the Group as lessor)

Lease income from operating leases is recognised as income on a straight-line basis over the lease term. The respective leased assets are included in the Balance Sheet within property, plant and equipment based on their nature.

Lease income from finance leases is recognised over the lease term at an amount that produces a constant periodic rate of return on the remaining balance of the net investment in the lease. The net investment in the lease is the sum of lease payments receivable during the lease term discounted at the interest rate implicit in the lease.

On lease commencement the carrying value of the asset is derecognised, the net investment in the lease is recognised as a finance lease receivable and any selling profit or loss is recognised in the Comprehensive Income and Expenditure Statement.

The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting IFRS 16.

ae) Private Finance Initiative (PFI) transactions and similar contracts

The Code requires the Group to account for infrastructure PFI schemes where it controls the use of the infrastructure and the residual interest in the infrastructure at the end of the arrangement. TfL therefore recognises such PFI assets as items of property, plant and equipment together with a liability to pay for them. The fair values of services received under the contract are recorded as operating expenses.

The annual unitary payment is separated into the following component parts, using appropriate estimation techniques where necessary:

a. The service charge

b. Repayment of the capital

c. The interest element (using the interest rate implicit in the contract)

Services received
The fair value of services received in the year is recorded under the relevant expenditure headings within 'gross expenditure'.

Assets
Assets are recognised as property, plant and equipment or intangible assets when they come into use. The assets are measured initially at fair value in accordance with IPSAS 32 Service Concession Arrangements – Grantor (IPSAS 32).

Where the operator enhances assets already recognised in the Balance Sheet the fair value of the enhancement in the carrying value of the asset is recognised as an asset.

Liabilities
A PFI liability is recognised at the same time as the assets are recognised. It is measured initially at the same amount as the fair value of the PFI assets and is subsequently measured as a finance lease liability in accordance with IPSAS 32.

An annual finance cost is calculated by applying the implicit interest rate in the lease to the opening lease liability for the year and is charged to financing and investment expenditure within the Comprehensive Income and Expenditure Statement.

The element of the unitary payment that is allocated as a finance lease rental is applied to meet the annual finance cost and to repay the lease liability over the contract term.

Life cycle replacement
Components of the asset replaced by the operator during the contract (lifecycle replacement) are capitalised where they meet the Group's criteria for capital expenditure. They are capitalised at the time they are provided by the operator and are measured initially at their fair value.

PFI arrangements which are accounted for as operating leases are dealt with as detailed in Accounting Policy ac) above.

af) Impairment of non-financial assets

Goodwill recognised separately as an intangible asset is tested for impairment annually and whenever there is indication that the goodwill may be impaired. Other intangible assets, property, plant and equipment and investments in subsidiaries, joint ventures and associates are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss.

Impairment occurs when an asset's carrying value exceeds its recoverable amount. An asset's recoverable amount is the higher of its value in use and its fair value less costs to sell.

In accordance with the Code, when an asset is not held primarily for the purpose of generating cash flows but for service provision, value in use is the present value of the asset's remaining service potential, which can be assumed to be at least equal to the cost of replacing that service potential. This is the case for the majority of the Group's assets.

ag) Employee benefits

Defined benefit pension plans
The majority of the Group's employees are members of the Group's defined benefit plans, which provide benefits based on final pensionable pay. The assets of schemes are held separately from those of the Group.

On retirement, members of the schemes are paid their pensions from a fund which is kept separate from the Group. The Group makes cash contributions to the funds in advance of members' retirement.

Every three years the Group's schemes are subject to a full actuarial funding valuation using the projected unit method. Separate valuations are prepared for accounting purposes on an IAS 19 basis as at the balance sheet date. Pension scheme assets are measured using current market bid values. Pension scheme defined benefit obligations are measured using a projected unit credit method and discounted at the current rate of return on a high-quality corporate bond of equivalent term and currency to the defined benefit obligation.

Accounting policies (continued)

The difference between the value of the pension scheme assets and pension scheme liabilities is a surplus or a deficit. A pension scheme surplus is recognised to the extent that it is recoverable, and a pension scheme deficit is recognised in full. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is reflected immediately in the Balance Sheet with a charge or credit recognised in other comprehensive income in the period in which it occurs. Remeasurement recognised in other comprehensive income will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit obligation or asset. Defined benefit costs are categorised between; (a) service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements), (b) net interest expense or income, and (c) remeasurement. The Group presents the first two components in profit or loss within the surplus on the provision of services before tax. Curtailment gains and losses are accounted for as past service costs.

Multi-employer exemption

For certain defined benefit schemes, the Corporation and/or the Group is unable to identify its share of the underlying assets and defined benefit obligations of the scheme on a consistent and reasonable basis. As permitted by the multi-employer exemption in the Code, these schemes are accounted for as defined contribution schemes. Contributions are therefore charged to the Comprehensive Income and Expenditure Statement as incurred.

Group schemes under common control

The Corporation and certain of its subsidiaries are members of a Group defined benefit plan wherein risks are shared between the entities under common control. There is no contractual arrangement in place to apportion the net defined benefit cost across the member entities. Accordingly, in line with the provisions of IAS 19, the total net defined benefit obligation is recognised in the individual financial statements of the sponsoring employer, the Corporation.

Unfunded pension schemes

Ex gratia payments are made to certain employees on retirement in respect of service prior to the establishment of pension funds for those employees. Supplementary payments are made to the pensions of certain employees who retired prior to the index linking of pensions. The Group also augments the pensions of certain employees who retire early under voluntary severance arrangements. In addition, certain employees also accrue benefits under an unfunded pension arrangement. These unfunded pension liabilities are provided for in the Balance Sheet.

Defined contribution plans

Some employees are members of defined contribution plans. A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in the Comprehensive Income and Expenditure Statement in the periods during which services are rendered by employees.

Other employee benefits

Other short and long-term employee benefits, including holiday pay and long service leave, are recognised as an expense over the period in which they accrue.

ah) Reserves

Reserves consist of two elements, usable and unusable.

Usable reserves are those that can be applied to fund expenditure. They are made up of the General Fund, Earmarked Reserves, the Capital Grants Unapplied Account and the Street Works Reserve. Amounts in the Street Works Reserve represent the net income/expenditure generated from lane rental revenues. These net revenues may only be employed in funding the reduction of disruption and other adverse effects caused by street works.

Unusable reserves cannot be applied to fund expenditure as they are not cash backed. They include the Capital Adjustment Account, Pension Reserve, the Hedging Reserve, the Financial Instruments Revaluation Reserve, the Financial Instruments Adjustment Account, the Retained Earnings Reserve in subsidiaries and the Fixed Asset Revaluation Reserve.

ai) Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (grants, business rates, etc.) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between TfL's operating segments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

aj) Financial instruments

Financial instruments within the scope of IFRS 9 Financial Instruments (IFRS 9) are classified as:

- Financial assets measured at amortised cost
- Financial assets measured at fair value through other Comprehensive Income and Expenditure (FVTOCI)
- Financial assets measured at fair value through the Comprehensive Income and Expenditure Statement (FVTPL)
- Financial liabilities measured at amortised cost
- Financial liabilities at fair value through the Comprehensive Income and Expenditure Statement (FVTPL)

The Group determines the classification of its financial instruments at initial recognition. Financial assets may be reclassified only when the Group changes its business model for managing financial assets, at which point all affected financial assets would be reclassified. Financial liabilities are not reclassified subsequent to initial recognition.

Accounting policies (continued)

When financial instruments are recognised initially, they are measured at fair value, being the transaction price plus any directly attributable transaction costs. The exception to this is for assets and liabilities measured at fair value, where transaction costs are immediately expensed.

The subsequent measurement of financial instruments depends on whether they are financial assets or financial liabilities and whether specified criteria are met:

Financial assets are measured at amortised cost if:

- it is the objective of the Group to hold the asset in order to collect contractual cash flows; and
- the contractual terms give rise to cash flows, which are solely repayments of a principle value and interest thereon.

After initial recognition, these assets are carried at amortised cost using the effective interest rate method if the time value of money is significant. Gains and losses are recognised in the Comprehensive Income and Expenditure Statement when the asset is derecognised or a loss allowance applied, as well as through the amortisation process.

Financial assets are measured at FVTOCI if:

- assets are non-derivative and held within a business model whose objective is to realise their value through either the collection of contractual cash flows or selling of the financial assets; and
- the contractual terms of the financial asset give rise to periodic cash flows that are the payment of principal and interest.

After initial recognition, interest is taken to the Comprehensive Income and Expenditure Statement using the effective interest rate method and the assets are measured at fair value with gains or losses being recognised in Other Comprehensive Income and Expenditure (and taken to the Financial Instruments Revaluation Reserve), except for impairment gains or losses, until the investment is derecognised, or reclassified at which time the cumulative fair value gain or loss previously reported in reserves is included in the Comprehensive Income and Expenditure Statement. For equity instruments, unlike debt instruments, there is no transfer of accumulated amounts in Other Comprehensive Income to the Comprehensive Income and Expenditure Statement.

Financial assets are measured at FVTPL if they are:

- Derivatives
- Not held as amortised cost or at FVTOCI
- Financial assets that were elected to be designated as measured at FVTPL

After initial recognition, assets are carried in the Balance Sheet at fair value with gains or losses recognised in the Comprehensive Income and Expenditure Statement.

Financial liabilities are measured at amortised cost if they are non-derivative with limited exceptions.

After initial recognition, non-derivative financial liabilities are subsequently measured at amortised cost using the effective interest rate method.

Financial liabilities are measured at FVTPL if they are:

- Derivatives
- Other liabilities held for trading
- Financial liabilities that were elected to be designated as measured at FVTPL

Loans to subsidiaries
Loans to subsidiaries are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. Loans are classified as amortised cost.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and investments that are readily convertible to cash and with an outstanding maturity, at the date of acquisition, of less than or equal to three months. Cash and cash equivalents are classified as financial assets at amortised cost.

Other investments
Short-term investments with an outstanding maturity, at the date of acquisition, of greater than three months and less than or equal to a year, are classified as short-term investments on the basis that they are not readily convertible to cash. Short-term investments are classified as financial assets at amortised cost.

Trade and other receivables
Trade and other receivables are recognised initially at fair value and subsequently classified as financial assets at amortised cost.

Finance lease receivables
Finance lease receivables are recognised initially at fair value and subsequently classified as financial assets at amortised cost.

Trade and other creditors
Trade and other creditors are recognised initially at fair value and subsequently at amortised cost using the effective interest rate method.

Interest bearing loans and borrowings
All loans and borrowings are classified as financial liabilities measured at amortised cost.

Obligations under leases and PFI arrangements
All obligations under leases and PFI arrangements are classified as financial liabilities measured at amortised cost.

Other financing liabilities
Other financing liabilities are classified as financial liabilities measured at amortised cost.

Financial derivative instruments
The Group uses financial derivative instruments to manage certain exposures to fluctuations in foreign currency exchange rates and interest rates. The Group does not hold or issue derivative instruments for speculative purposes. The use of derivatives is governed by the Group's Treasury Management policies, approved by the Board.

Accounting policies (continued)

Derivative assets and derivative liabilities are classified as FVTPL. Such financial derivative instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

The Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of the foreign currency risk of firm commitments (cash flow hedges).

The fair value of hedging derivatives is classified as a long-term asset or a long-term liability if the remaining maturity of the hedge relationship is more than 12 months and as a short-term asset or a short-term liability if the remaining maturity of the hedge relationship is less than 12 months. Derivatives not designated into an effective hedge relationship are classified as a short-term asset or a short-term liability.

Hedge accounting

In order to qualify for hedge accounting, at inception of the transaction the Group formally designates and documents the hedging relationship, which includes the Group's risk management strategy and objective for undertaking the hedge, identification of the hedging instrument, the hedged item, the ratio between the amount of hedged item and the amount of hedging instrument, the nature of the risk being hedged and how the Group assesses that the hedging instrument is highly effective including analysis of potential sources of hedge ineffectiveness.

At the inception of the hedge relationship and prospectively on an ongoing basis, the Group assesses three criteria in determining the hedge is effective and qualifies for hedge accounting, namely:

- An economic relationship exists such that the fair value or cash flows attributable to the hedged risk will be offset by the fair value of the hedged instrument
- Credit risk does not dominate changes in the value of the hedging instrument or hedged item
- The hedge ratio used for hedge accounting purposes is the same as that used for risk management purposes and is to be maintained as initially set throughout the hedge relationship

Where derivatives or portions of hedges do not qualify for hedge accounting, they are recorded at fair value through the Comprehensive Income and Expenditure Statement and any change in value is immediately recognised in the Comprehensive Income and Expenditure Statement.

Accounting policies (continued)

Cash flow hedges

Derivative instruments are classified as cash flow hedges when they hedge the Group's exposure to variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction. Derivative instruments qualifying for treatment as cash flow hedges are principally interest rate swaps and foreign currency forward exchange contracts.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is deferred in reserves. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts deferred in reserves are recycled to profit or loss in the periods when the hedged items (the hedged asset or liability) are recognised in the Comprehensive Income and Expenditure Statement. When the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in reserves are transferred from reserves and are included in the initial measurement of the cost of the related asset or liability. For transaction-related hedged items, this will occur once the hedged transaction has taken place. For time-period related hedged items, the amount that is accumulated in reserves is amortised on a systematic and rational basis as a reclassification adjustment.

Hedge accounting is discontinued when the hedging instrument expires, is sold, terminated, exercised or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in reserves at that time remains in reserves and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in reserves is recognised immediately in profit or loss.

Fair value measurement of financial instruments

The fair value of quoted investments is determined by reference to bid prices at the close of business on the balance sheet date, within Level 1 of the fair value hierarchy as defined within IFRS 13.

Where there is no active market, fair value is determined using valuation techniques. These include using recent arm's length transactions; reference to the current market value of another instrument which is substantially the same; and discounted cash flow analysis and pricing models.

In the absence of quoted market prices, derivatives are valued by using quoted forward prices for the underlying commodity/currency and discounted using quoted interest rates (both as at the close of business on the balance sheet date). Hence, derivatives are within Level 2 of the fair value hierarchy as defined within IFRS 13.

Impairment of financial assets

At each reporting date, the Group assesses whether the credit risk on a significant financial asset measured at amortised cost or FVTOCI has increased significantly since initial recognition and subsequently measures an expected credit loss allowance for that financial instrument.

The expected loss allowance is a measurement based on the probability of default over the lifetime of the contract for trade receivables, lease receivables or contract assets in scope of IFRS 15. For other financial assets, the allowance is based on the probability of default occurring in 12 months providing credit risk is assessed as low.

The expected credit loss is based on a forward-looking, probability-weighted measure considering reasonable and supportable information on past events, current conditions and the time value of money. Where financial assets are determined to have shared risk characteristics they are assessed collectively, otherwise, they are reviewed on an individual basis.

No loss allowance for expected credit loss is recognised on a financial asset where the counterparty is central government or a local authority and where relevant statutory provisions prevent default. Expected credit loss allowances are recognised in the Comprehensive Income and Expenditure Statement.

Embedded derivatives

Derivatives that are embedded in other financial instruments or other host contracts are treated as separate derivatives when:

- the host contract is a financial liability or an asset not within the scope of IFRS 9
- the derivative's risks and characteristics are not closely related to those of the host contract
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative
- the host contracts are not carried at fair value

In such cases, an embedded derivative is separated from its host contract and accounted for as a derivative carried on the Balance Sheet at fair value from inception of the host contract. Unrealised changes in fair value are recognised as gains/losses within the Comprehensive Income and Expenditure Statement during the period in which they arise.

Notes to the Financial Statements

1. Gross income

a) Group gross income

Year ended 31 March	2020 £m	% of total	2019 £m	% of total
Passenger income	**4,432.9**	**76.9**	4,533.7	80.2
Revenue in respect of free travel for older and disabled customers	**317.9**	**5.5**	320.3	5.7
Congestion Charging	**247.0**	**4.3**	229.9	4.1
Ultra Low Emission Zone charges	**149.1**	**2.6**	-	-
Low Emission Zone charges	**5.5**	**0.1**	5.8	0.1
Charges to London Boroughs and Local Authorities	**15.3**	**0.3**	12.9	0.2
Charges to transport operators	**10.2**	**0.2**	10.0	0.2
Road Network compliance income	**69.0**	**1.2**	56.8	1.0
Commercial advertising receipts	**158.3**	**2.7**	156.0	2.8
Rents receivable	**93.9**	**1.6**	86.7	1.5
Contributions from third parties to operating costs	**77.7**	**1.3**	73.4	1.3
Taxi licensing	**36.7**	**0.6**	32.9	0.6
Ticket and photocard commission income	**28.1**	**0.5**	30.5	0.5
ATM and car parking income	**21.7**	**0.4**	19.3	0.3
Museum income	**11.4**	**0.2**	9.4	0.2
Training and specialist services	**16.7**	**0.3**	11.0	0.2
Cycle hire scheme	**11.0**	**0.2**	11.7	0.2
Other	**59.8**	**1.1**	55.9	0.9
	5,762.2	**100.0**	5,656.2	100.0

b) Corporation gross income

Year ended 31 March	2020 £m	% of total	2019 £m	% of total
Congestion Charging	**247.0**	**42.0**	229.9	60.9
Ultra Low Emission Zone charges	**149.1**	**25.4**	-	-
Low Emission Zone charges	**5.5**	**0.9**	5.8	1.5
Charges to London Boroughs and Local Authorities	**11.5**	**2.0**	11.8	3.1
Road Network compliance income	**69.0**	**11.7**	56.8	15.1
Commercial advertising receipts	**-**	**-**	6.0	1.6
Rents receivable	**0.4**	**0.1**	1.5	0.4
Contributions from third parties to operating costs	**39.6**	**6.7**	1.8	0.5
Taxi licensing	**36.2**	**6.2**	32.9	8.7
Training and specialist services	**13.4**	**2.3**	9.0	2.4
Other	**16.3**	**2.7**	21.9	5.8
	588.0	**100.0**	377.4	100.0

c) Congestion Charging

Year ended 31 March	Group and Corporation 2020 £m	Group and Corporation 2019 £m
Income	**247.0**	229.9
Toll facilities and traffic management	**(73.2)**	(66.5)
	173.8	163.4
Administration, support services and depreciation	**(11.7)**	(16.7)
Net income from Congestion Charging	**162.1**	146.7

Net income from the Congestion Charge, LEZ and ULEZ is spent on improving transport in line with the Mayor's Transport Strategy.

Notes to the Financial Statements
1. Gross income (continued)

d) Low Emission Zone (LEZ) Charging

Year ended 31 March	**Group and Corporation 2020 £m**	Group and Corporation 2019 £m
Income	**5.5**	5.8
Toll facilities and traffic management	**(1.7)**	(2.5)
	3.8	3.3
Administration, support services and depreciation	**-**	-
Net income from LEZ Charging	**3.8**	3.3

e) Ultra Low Emission Zone (ULEZ) Charging

Year ended 31 March	**Group and Corporation 2020 £m**	Group and Corporation 2019 £m
Income	**149.1**	-
Toll facilities and traffic management	**(78.7)**	(22.1)
	70.4	(22.1)
Administration, support services and depreciation	**(3.8)**	(16.7)
Net income from ULEZ Charging	**66.6**	(38.8)

f) Street works

Year ended 31 March	**Group and Corporation 2020 £m**	Group and Corporation 2019 £m
Income	**9.1**	7.8
Allowable operating costs of managing the lane rental scheme	**(1.7)**	(2.2)
Application of Street Works Reserve to projects reducing the adverse effects caused by street works	**(4.1)**	(4.2)
Net income recognised within net cost of services	**3.3**	1.4
Allowable capital costs of managing the lane rental scheme	**(0.3)**	(0.3)
Net income for the year transferred to the Street Works Reserve	**3.0**	1.1

Under the London lane rental scheme, introduced in 2012, TfL receives payments where utilities carry out certain street works in circumstances significantly affecting traffic. The legislation (SI 2012/425) requires TfL to apply the net proceeds of these payments to reducing the adverse effects caused by street works. The net income shown above has been transferred to the Street Works Reserve.

Notes to the Financial Statements
2. Segmental analysis

Year ended 31 March 2020

	Underground £m	Elizabeth line £m	Buses £m	Streets £m	Rail £m	Other operations £m	Major Projects £m	Property £m	Media £m	Total net operating deficit excluding grant income per internal management reports £m	Central items (note 2c(i)) £m	Total £m
Passenger income	2,729.0	118.0	1,431.0	-	414.0	59.0	-	-	-	4,751.0	(0.2)	4,750.8
Other operating income	33.0	29.0	9.0	355.0	22.0	297.0	22.0	102.0	154.0	1,023.0	(11.6)	1,011.4
Gross income	2,762.0	147.0	1,440.0	355.0	436.0	356.0	22.0	102.0	154.0	5,774.0	(11.8)	5,762.2
Direct operating cost	(1,979.0)	(354.0)	(2,183.0)	(496.0)	(469.0)	(297.0)	(21.0)	(33.0)	(4.0)	(5,836.0)	(1,323.8)	(7,159.8)
Indirect operating cost	(344.0)	(9.0)	(25.0)	(78.0)	(20.0)	(54.0)	(38.0)	(9.0)	(2.0)	(579.0)	-	(579.0)
Gross expenditure	(2,323.0)	(363.0)	(2,208.0)	(574.0)	(489.0)	(351.0)	(59.0)	(42.0)	(6.0)	(6,415.0)	(1,323.8)	(7,738.8)
Net surplus from/(cost of) services before exceptional items	439.0	(216.0)	(768.0)	(219.0)	(53.0)	5.0	(37.0)	60.0	148.0	(641.0)	(1,335.6)	(1,976.6)

Year ended 31 March 2019 (restated *)

Year ended 31 March 2019 (restated)	Underground £m	Elizabeth line £m	Buses £m	Streets £m	Rail £m	Other operations £m	Major Projects £m	Property £m	Media £m	Total net operating deficit excluding grant income per internal management reports £m	Central items (note 2c(i)) £m	Total £m
Passenger income	2,793.0	101.0	1,474.0	-	427.0	59.0	-	-	-	4,854.0	-	4,854.0
Other operating income	32.0	17.0	12.0	322.0	40.0	146.0	1.0	94.0	148.0	812.0	(9.8)	802.2
Gross income	2,825.0	118.0	1,486.0	322.0	467.0	205.0	1.0	94.0	148.0	5,666.0	(9.8)	5,656.2
Direct operating cost	(2,027.0)	(237.0)	(2,109.0)	(474.0)	(454.0)	(338.0)	(12.0)	(32.0)	(2.0)	(5,685.0)	(1,365.9)	(7,050.9)
Indirect operating cost	(383.0)	(9.0)	(27.0)	(74.0)	(21.0)	(50.0)	(36.0)	(8.0)	(2.0)	(610.0)	100.0	(510.0)
Gross expenditure	(2,410.0)	(246.0)	(2,136.0)	(548.0)	(475.0)	(388.0)	(48.0)	(40.0)	(4.0)	(6,295.0)	(1,265.9)	(7,560.9)
Net surplus from/(cost of) services before exceptional items	415.0	(128.0)	(650.0)	(226.0)	(8.0)	(183.0)	(47.0)	54.0	144.0	(629.0)	(1,275.7)	(1,904.7)

* Prior year figures have been restated to reflect the fact that Media and Property are now being reported as separate divisions, whereas Commercial Development as a discrete segment no longer exists. The recognition/derecognition of these operating divisions has also had a consequential impact on the historically reported allocation of indirect costs between divisions.

Notes to the Financial Statements
2. Segmental analysis (continued)

2a) Segmental analysis

Decisions taken by the Board about resource allocation are made using internal management reports which show the net cost of operations before financing. These management reports are presented on a segmental basis as shown in the table on page 127.

The segmental reporting analysis only deals with Group information and no disclosures are included for the Corporation. This is because the Corporation's results are not reported to the TfL Board on a segmental basis.

No balance sheet information is reported internally by segment and there is accordingly no requirement under the Code to disclose segmental balance sheet information in the Statement of Accounts.

2b) Reconciliation of the Operating Account as included in internal reports to management to the Group Comprehensive Income and Expenditure Statement

Although segmental information is only presented to management to the level of net cost of services, a full Operating Account at the consolidated TfL Group level is also included in internal management reports, published on TfL's website in the form of Quarterly Performance Reports (www.tfl.gov.uk/corporate/publications-and-reports/quarterly-progress-reports). The methodology for preparation and the presentation of figures within the Operating Account differs in several respects from the Group Comprehensive Income and Expenditure Statement as presented in these financial statements. To aid understanding of TfL information as reported in Quarterly Performance Reports, a reconciliation of the Operating Account to the Group Comprehensive Income and Expenditure Statement is presented on the following pages.

Notes to the Financial Statements
2. Segmental analysis (continued)

Reconciliation of the Operating Account as included in internal reports to management to the Group Comprehensive Income and Expenditure Statement (CI&E)

Year ended 31 March 2020	Note	Operating Account as reported to management £m	Items included in the CI&E but excluded from the Operating Account £m	Items included in the Operating Account but excluded from the CI&E £m	Reclassifications between line items £m	Items with different accounting treatment (see notes below) £m	Group Comprehensive Income and Expenditure Statement £m
Gross income/(total operating income)	2c(i)	5,774.0	-	-	-	(11.8)	5,762.2
Gross expenditure/(operating cost)	2c(i)	(6,415.0)	(1,404.1)	-	19.3	61.0	(7,738.8)
Net cost of services before exceptional items/(divisional net operating surplus/(deficit))	2c(i)	(641.0)	(1,404.1)	-	19.3	49.2	(1,976.6)
Exceptional items	6	-	-	-	(19.3)	-	(19.3)
Net cost of services after exceptional items		(641.0)	(1,404.1)	-	-	49.2	(1,995.9)
Other net operating expenditure	7	-	(30.9)	-	-	-	(30.9)
Grant income	2c(vi)	1,105.0	-	-	-	2,163.1	3,268.1
Group share of loss after tax of joint ventures	17	-	(0.1)	-	-	-	(0.1)
Group share of loss after tax of associated undertakings	18	-	(52.0)	-	-	-	(52.0)
(Capital renewals)	2c(ii)	(452.0)	-	452.0	-	-	-
(Net cost of operations before financing)		12.0	(1,487.1)	452.0	-	2,212.3	1,189.2
Financing and investment income	2c(iii)	-	90.7	-	21.3	(3.3)	108.7
Financing and investment expenditure	2c(iv), 2c(v)	-	(14.2)	-	(456.3)	(49.4)	(519.9)
(Net financing costs)		(435.0)	-	-	435.0	-	-
Surplus on the provision of services before tax/(net cost of operations)		(423.0)	(1,410.6)	452.0	-	2,159.6	778.0
Taxation expense	11	-	(106.8)	-	-	-	(106.8)
Surplus on the provision of services after tax		(423.0)	(1,517.4)	452.0	-	2,159.6	671.2

Where line item descriptors differ between the Operating Account and the Comprehensive Income and Expenditure Statement, those used in the Operating Account are shown within parentheses in the above table.

Notes to the Financial Statements
2. Segmental analysis (continued)

Reconciliation of the Operating Account as included in internal reports to management to the Group Comprehensive Income and Expenditure Statement (CI&E) (restated)

Year ended 31 March 2019	Note	Operating Account as reported to management £m	Items included in the CI&E but excluded from the Operating Account £m	Items included in the Operating Account but excluded from the CI&E £m	Reclassifications between line items £m	Items with different accounting treatment (see notes below) £m	Group Comprehensive Income and Expenditure Statement £m
Gross income/(total operating income)	2c(i)	5,666.0	-	-	-	(9.8)	5,656.2
Gross expenditure/(operating cost)	2c(i)	(6,295.0)	(1,064.4)	-	-	(201.5)	(7,560.9)
Net cost of services/(divisional net operating surplus/(deficit))		(629.0)	(1,064.4)	-	-	(211.3)	(1,904.7)
Other net operating expenditure	7	-	(32.5)	-	-	-	(32.5)
Grant income	2c(vi)	1,050.0	-	-	-	1,965.5	3,015.5
Group share of loss after tax of associated undertakings	18	-	(94.5)	-	-	-	(94.5)
(Capital renewals)	2c(ii)	(388.0)	-	388.0	-	-	-
(Net cost of operations before financing)		33.0	(1,191.4)	388.0	-	1,754.2	983.8
Financing and investment income	2c(iii)	-	136.4	-	12.4	-	148.8
Financing and investment expenditure	2c(iv), 2c(v)	-	(9.7)	-	(466.4)	0.8	(475.3)
(Net financing costs)		(454.0)	-	-	454.0	-	-
Surplus on the provision of services before tax/(net cost of operations)		(421.0)	(1,064.7)	388.0	-	1,755.0	657.3
Taxation income	11	-	2.0	-	-	-	2.0
Surplus on the provision of services after tax		(421.0)	(1,062.7)	388.0	-	1,755.0	659.3

Where line item descriptors differ between the Operating Account and the Comprehensive Income and Expenditure Statement, those used in the Operating Account are shown within parentheses in the above table.

Notes to the Financial Statements

2. Segmental analysis (continued)

2c(i) Reconciliation of segmental information reported in internal management reports to amounts included in net cost of services

The segmental analysis is prepared using internal management reporting accounting methodologies. In some cases, these methodologies are different from the accounting policies used in the financial statements. Differences between the methodologies are collectively referred to as Central items. Those impacting on the net cost of services are explained below:

- The cost of retirement benefits in the management reports is based on cash flows rather than the current service costs of benefits accrued in the year
- Depreciation, amortisation and impairment charges are not included in the segmental analysis
- Internal management reporting includes a charge within operating expenditure, for the costs of right-of-use leases, calculated on an IAS 17 basis (the former lease accounting standard). In the net cost of services included within these financial statements, this charge has been stripped out and replaced with the amortisation charge in respect of right-of-use assets within net cost of services and a financing charge included within financing and investment expenditure in the Comprehensive Income and Expenditure Statement.
- Certain items which do not fit into any of the reporting segments are known internally as 'other Central items'. Other Central items are reported separately to management and are not included in the segmental analysis

A reconciliation of net operating deficit before grant income as reported per internal management reports to amounts included in these statutory financial statements is included in the analysis below.

Reconciliation of net operating deficit per internal management reports to net cost of services per the Comprehensive Income and Expenditure Statement for the year ended 31 March 2020

	Note	Gross income £m	Gross expenditure £m	Net cost of services £m
Net operating deficit excluding grant income per internal management reports		5,774.0	(6,415.0)	(641.0)
Central items:				
Amounts included in the Comprehensive Income and Expenditure Statement not reported in management reports				
Depreciation	3	-	(1,032.9)	(1,032.9)
Amortisation of right-of-use assets	3	-	(334.8)	(334.8)
Amortisation of software intangibles	3	-	(36.4)	(36.4)
		-	(1,404.1)	(1,404.1)
Reclassifications between line items				
Reclassification of exceptional items from operating costs to exceptional items		-	19.3	19.3
		-	19.3	19.3
Amounts subject to differing accounting treatment between the Operating Account and the Comprehensive Income and Expenditure Statement				
Total lease expense recorded under previous accounting standard IAS 17		-	350.1	350.1
Pension costs		-	(295.2)	(295.2)
Other Central items		(11.8)	6.1	(5.7)
		(11.8)	61.0	49.2
Net cost of services before exceptional items per the Comprehensive Income and Expenditure Statement		5,762.2	(7,738.8)	(1,976.6)

Notes to the Financial Statements
2. Segmental analysis (continued)

Reconciliation of net operating deficit per internal management reports to net cost of services per the Comprehensive Income and Expenditure Statement for the year ended 31 March 2019 (restated)

Reconciliation of net operating deficit per internal management reports to net cost of services per the Comprehensive Income and Expenditure Statement for the year ended 31 March 2019 (restated)	Note	Gross income £m	Gross expenditure £m	Net cost of services £m
Net operating deficit excluding grant income per internal management reports		5,666.0	(6,295.0)	(629.0)
Central items:				
Amounts included in the Comprehensive Income and Expenditure Statement not reported in management accounts				
Depreciation	3	-	(1,020.8)	(1,020.8)
Amortisation of software intangibles	3	-	(43.6)	(43.6)
		-	(1,064.4)	(1,064.4)
Amounts subject to differing accounting treatment between the Operating Account and the Comprehensive Income and Expenditure Statement				
Pension costs		-	(214.1)	(214.1)
Other Central items		(9.8)	12.6	2.8
		(9.8)	(201.5)	(211.3)
Net cost of services per the Comprehensive Income and Expenditure Statement		5,656.2	(7,560.9)	(1,904.7)

Notes to the Financial Statements
2. Segmental analysis (continued)

2c(ii) Capital renewals

The Operating Account includes a charge for capital renewals expenditure which, in the statutory financial statements, is included within additions to property, plant and equipment (see note 13). Renewals expenditure is included in the Operating Account for management reporting purposes to enable the Operating Account to present the ongoing, full, day-to-day cost of running and maintaining our existing network.

2c(iii) Financing and investment income items included in the Comprehensive Income and Expenditure Statement, but not in the Operating Account

The Operating Account excludes the net gain on disposal of investment properties and the change in fair value of investment properties that are included within financing and investment income in the Comprehensive Income and Expenditure Statement (see note 8). Fair value movements are excluded from management reporting as these gains or losses are unrealised. The net proceeds from disposals, meanwhile, are included in the Capital Account for management reporting purposes, as these income streams may only be employed by the Corporation to fund capital expenditure and do not represent an ongoing revenue stream that can be employed to meeting the day-to-day operating costs of the network.

2c(iv) Financing and investment expenditure items included in the Comprehensive Income and Expenditure Statement, but not in the Operating Account

The Operating Account excludes the net interest charge on defined benefit pension obligations included within financing and investment expenditure in the Comprehensive Income and Expenditure Statement (see note 9). It instead includes the full cash payments made during the year to pension funds within operating costs. This better reflects the actual charge made to the General Fund in respect of pension costs which is calculated based on actual contributions paid as opposed to the charges flowing through the Comprehensive Income and Expenditure Statement as calculated under IAS 19.

The Operating Account also excludes the adjustment to financing expenditure made in respect of borrowing costs capitalised into qualifying assets (see note 9). Instead this charge is left within net financing costs so that amounts charged to the Operating Account reflect the full cost to the Group of financing its debt.

2c(v) Items where the accounting treatment for elements of financing and investment expenditure differs between the Operating Account and the Comprehensive Income and Expenditure Statement

Financing costs relating to right-of use lease liabilities are excluded from net operating expenditure in the Operating Account but are included within financing and investment expenditure in the Comprehensive Income and Expenditure Statement. Instead, the Operating Account includes a charge within operating expenditure, calculated on an IAS 17 basis (the previous lease accounting standard) for the cost of right-of-use leases.

The Operating Account also excludes the charge for derivative gains and losses recycled to profit or loss during the year (see the hedging reserve section of note 38).

2c(vi) Items where the accounting treatment for elements of grant income differs between the Operating Account and the Comprehensive Income and Expenditure Statement

Certain grants received (primarily Business Rates Retention) are treated as capital grant for management reporting purposes and are thus excluded from the Operating Account. However, for legal and statutory reporting purposes, these grants constitute resource grants, and may only be classified as capital grant where they have been applied to fund capital expenditure in the year.

Notes to the Financial Statements

3. Gross expenditure

Gross expenditure recognised in the Comprehensive Income and Expenditure Statement comprises:

Year ended 31 March	Note	**Group 2020 £m**	Group 2019 £m	**Corporation 2020 £m**	Corporation 2019 £m
Staff costs:					
Wages and salaries *		**1,427.7**	1,402.0	**390.4**	377.4
Social security costs		**164.1**	161.8	**45.0**	45.4
Pension costs	36	**581.1**	613.0	**368.6**	366.6
		2,172.9	2,176.8	**804.0**	789.4
Other service expenditure **		**4,161.8**	4,319.7	**514.9**	415.2
Depreciation	13	**1,032.9**	1,020.8	**125.5**	126.1
Amortisation right-of-use assets	14	**334.8**	-	**28.6**	-
Amortisation of software intangibles	**12**	**36.4**	43.6	**22.0**	30.5
		7,738.8	7,560.9	**1,495.0**	1,361.2

* Wages and salaries include amounts provided for the cost of voluntary severance

** Included in the Corporation's other service expenditure is £164.2m (2018/19 £161.9m) relating to financial assistance to London Boroughs and other third parties (see note 42 for detailed analysis). Other service expenditure in 2018/19 also included payments made under operating leases for the year of £90.3m for the Group and of £23.5m for the Corporation. In 2019/20 the Group and Corporation applied IFRS 16 in accounting for their leased assets (see note 45)

The average number of persons employed in the year was:

Year ended 31 March	**Group 2020 Number**	Group 2019 Number	**Corporation 2020 Number**	Corporation 2019 Number
Permanent staff (including fixed term contracts)	**25,814**	26,372	**7,069**	7,419
Agency staff	**1,711**	1,350	**928**	624
	27,525	27,722	**7,997**	8,043

4. External audit fees

External audit fees are made up as follows:

Year ended 31 March	**Group 2020 £m**	Group 2019 £m	**Corporation 2020 £m**	Corporation 2019 £m
Auditor's remuneration:				
for statutory audit services	**1.4**	1.0	**0.3**	0.2
for non-statutory audit services	**0.1**	-	**0.1**	-
for non-audit services *	**-**	-	**-**	-
	1.5	1.0	**0.4**	0.2

* The Audit and Assurance Committee reviews and notes the nature and extent of non-audit services provided by TfL's external auditor to ensure that independence is maintained

5. Remuneration

Disclosures in respect of the remuneration of employees (including senior employees) and of termination payments made during the year may be found in the Remuneration Report on pages 49 to 68.

Notes to the Financial Statements

6. Exceptional items

Year ended 31 March	**Group 2020 £m**	Group 2019 £m	**Corporation 2020 £m**	Corporation 2019 £m
Exceptional costs relating to the coronavirus pandemic	**19.3**	-	**7.8**	-

Exceptional costs included in the table above comprise costs relating to the Safe Stop of capital projects during the lockdown phase of the pandemic.

7. Other operating expenditure

Year ended 31 March	**Group 2020 £m**	Group 2019 £m	**Corporation 2020 £m**	Corporation 2019 £m
Net loss on disposal of property, plant and equipment	**30.9**	32.5	**0.3**	7.2
Total other operating expenditure	**30.9**	32.5	**0.3**	7.2

8. Financing and investment income

Year ended 31 March	Note	**Group 2020 £m**	Group 2019 £m	**Corporation 2020 £m**	Corporation 2019 £m
Interest income on bank deposits and other investments		**14.5**	9.8	**14.1**	9.4
Interest income on loans to subsidiaries		**-**	-	**376.6**	362.6
Change in fair value of investment properties (including those classified as held for sale)	15, 22	**59.0**	4.9	**-**	1.5
Net gain on disposal of investment properties		**31.7**	131.5	**22.9**	96.5
Interest receivable on finance lease receivables		**3.2**	2.3	**-**	-
Other investment income		**0.3**	0.3	**-**	-
		108.7	148.8	**413.6**	470.0

9. Financing and investment expenditure

Year ended 31 March	Note	**Group 2020 £m**	Group 2019 £m	**Corporation 2020 £m**	Corporation 2019 £m
Interest payable on loans and derivatives		**422.2**	414.4	**401.5**	393.0
Interest payable on finance, PFI and right-of-use lease liabilities *		**67.8**	30.7	**17.8**	6.2
Contingent rentals on PFI contracts		**14.1**	15.5	**10.4**	9.9
Change in fair value of investment properties (including those held for sale)	15,22	**-**	-	**3.6**	-
Net interest on defined benefit obligation	36	**122.7**	113.4	**122.0**	112.8
Other financing and investment expenditure		**1.6**	5.0	**0.9**	0.9
		628.4	579.0	**556.2**	522.8
Less: amounts capitalised into qualifying assets	13	**(108.5)**	(103.7)	**-**	-
		519.9	475.3	**556.2**	522.8

* IFRS 16 Leases has been adopted for the first time in 2019/20. 2018/19 comparatives have not been restated for this change. More information on the impact of the implementation of this new standard is set out in note 45.

Notes to the Financial Statements
10. Grant Income

Year ended 31 March	Group 2020 £m	Group 2019 £m	Corporation 2020 £m	Corporation 2019 £m
Non ring-fenced resource grant from the DfT used to fund operations	**27.1**	27.1	**27.1**	27.1
Non ring-fenced Business Rates Retention from the GLA used to fund operations	**913.5**	1,704.0	**913.5**	1,704.0
Other revenue grant received	**89.9**	93.8	**89.9**	93.8
Council tax precept	**6.0**	6.0	**6.0**	6.0
Total grants allocated to revenue	**1,036.5**	1,830.9	**1,036.5**	1,830.9
Ring-fenced grant from the DfT used to fund capital expenditure relating to Crossrail	**-**	150.0	**-**	150.0
Ring-fenced grant from the GLA used to fund capital expenditure relating to Crossrail	**989.0**	365.0	**989.0**	365.0
Non ring-fenced Business Rates Retention from the GLA used to fund capital	**967.8**	219.1	**967.8**	219.1
Other capital grants and contributions received	**274.8**	450.5	**188.6**	342.6
Total grants allocated to capital	**2,231.6**	1,184.6	**2,145.4**	1,076.7
Total grants	**3,268.1**	3,015.5	**3,181.9**	2,907.6

Allocation of capital grants

Year ended 31 March	Note	Group 2020 £m	Group 2019 £m	Corporation 2020 £m	Corporation 2019 £m
Capital grant funding of subsidiaries		**-**	-	**566.5**	277.8
Applied capital grants	38	**2,231.6**	1,856.1	**1,578.9**	1,470.4
Transfer from unapplied capital grants	39	**-**	(671.5)	**-**	(671.5)
Total capital grants		**2,231.6**	1,184.6	**2,145.4**	1,076.7

Notes to the Financial Statements
11. Taxation

TfL Corporation is exempt from Corporation Tax, but its subsidiaries are assessable individually to taxation in accordance with current tax legislation.

a) Corporation Tax

The Group tax expense for the year, based on the rate of Corporation Tax of 19 per cent (2018/19 19 per cent) comprised:

Year ended 31 March	Group 2020 £m	Group 2019 £m
UK Corporation Tax - current year charge	-	0.1
UK Corporation Tax - adjustments in respect of prior years	-	(2.1)
Total current tax income	**-**	(2.0)
Deferred tax - current year	**106.8**	-
Total tax charge/(income) for the year	**106.8**	(2.0)

Reconciliation of tax expense/(income)

Year ended 31 March	Group 2020 £m	Group 2019 £m
Surplus on the provision of services before tax	**778.0**	657.3
Surplus on the provision of services before tax multiplied by standard rate of Corporation Tax in the UK of 19% (2018/19 19%)	**147.8**	124.9
Effects of:		
Non-taxable income/non-deductible expenses	**92.7**	118.9
Permanent difference in TfL Corporation	**(277.0)**	(179.7)
Amount charged to current tax for which no deferred tax was recognised	**137.9**	(62.5)
Tax losses carried forward for which no deferred tax was recognised	**6.9**	-
Utilisation of tax losses carried forward for which no deferred tax was recognised	**(0.9)**	(1.0)
Overseas earnings	**(0.6)**	(0.5)
Adjustments in respect of prior years	**-**	(2.1)
Total tax expense/(income) for the year	**106.8**	(2.0)

b) Unrecognised deferred tax assets

The Group has a potential net deferred tax asset of £1,751.4m (2019 £1,613.6m) in respect of the following items:

Unrecognised deferred tax assets	Group 2020 £m	Group 2019 £m
Deductible temporary differences	**749.5**	722.6
Tax losses	**1,001.9**	891.0
Unrecognised deferred tax asset	**1,751.4**	1,613.6

No net deferred tax asset has been recognised as it is not considered probable that there will be sufficient future taxable profits available against which the unused tax credits can be utilised. The tax losses and the deductible temporary differences do not expire under current tax legislation.

The net deferred tax asset excludes any amounts connected to the pension deficit.

Notes to the Financial Statements
11. Taxation (continued)

c) Movement in recognised deferred tax assets and liabilities during the year

Deferred tax assets have been recognised to the extent that they are considered available to offset deferred tax liabilities as at the balance sheet date. Their movements during the year were in respect of the following items:

Year ended 31 March 2020	Balance at 1 April 2019 £m	Movement in the provision of services £m	Movement in other comprehensive income during the year £m	**Balance at 31 March 2020 £m**
Deferred tax assets				
Property, plant and equipment (net of losses)	77.2	(61.2)	-	**16.0**
Derivative financial instruments	17.3	6.0	-	**23.3**
Total	94.5	(55.2)	-	**39.3**
Deferred tax liabilities				
Investment properties	(77.9)	(50.3)	(135.7)	**(263.9)**
Assets held for sale	(16.6)	(1.3)	-	**(17.9)**
Total	(94.5)	(51.6)	(135.7)	**(281.8)**
Net deferred tax asset/(liability)	-	(106.8)	(135.7)	**(242.5)**

Year ended 31 March 2019	Balance at 1 April 2018 £m	Movement in the provision of services £m	Movement in other comprehensive income during the year £m	Balance at 31 March 2019 £m
Deferred tax assets				
Property, plant and equipment (net of losses)	80.0	(2.8)	-	77.2
Derivative financial instruments	19.0	(1.7)	-	17.3
Total	99.0	(4.5)	-	94.5
Deferred tax liabilities				
Investment properties	(84.9)	7.0	-	(77.9)
Assets held for sale	(14.1)	(2.5)	-	(16.6)
Total	(99.0)	4.5	-	(94.5)
Net deferred tax asset/(liability)	-	-	-	-

The key movements in the period were due to the following:

- The deferred tax liability arising on investment properties, including those classified as assets held for sale, has increased due to the revaluation movements recognised in financing and investment income and other comprehensive income during the year. The investment properties were revalued prior to transfer to TTL Properties Limited (a subsidiary of the Corporation), including properties that had not previously been revalued. Due to the level of deferred tax liability arising on the investment properties and the nature of the Group's deferred tax assets it is not considered that sufficient deferred tax assets will be available to offset this deferred tax liability in full. Where the revaluation gain was recognised in other comprehensive income the resulting deferred tax liability has also been recognised in other comprehensive income

- The property, plant and equipment deferred tax asset has changed in the period due to assets acquired in the year, movements in the market value of assets held and capital allowances claimed

- Included in the deferred tax balances for property, plant and equipment is the deferred tax movement on revaluation gains recognised in Other Comprehensive Income

- The deferred tax asset arising in respect of derivative financial instruments has increased during 2019/20 owing to movement in the fair value of derivatives

In September 2016 legislation was enacted setting the main rate of Corporation Tax to 17 per cent from 1 April 2020. However, the Finance Bill 2020 amends the main rate of Corporation Tax for all non-ring fenced profits to 19 per cent from 1 April 2020. The Corporation Tax charge and the main rate will also be set at 19 per cent from April 2021. As the Group's deferred tax balances are not expected to be settled until after April 2021, deferred tax balances at 31 March 2020 have been calculated at the rate of 19 per cent.

No deferred tax asset has been recognised on the Corporation's pension deficit of £4,082.3m as the principal employer is not a taxpaying entity. Future tax deductions for some contributions will be made in the taxable entities, however, as at 31 March 2020, no deferred tax assets have been recognised in these entities.

Notes to the Financial Statements
12. Intangible assets

a) Group intangible assets

	Note	Software costs £m	Intangible assets under construction £m	Goodwill £m	Total £m
Cost					
At 1 April 2018		456.5	3.8	351.8	812.1
Additions		-	38.0	-	38.0
Transfers between asset classes		39.1	(39.1)	-	-
Disposals		(3.2)	-	-	(3.2)
At 31 March 2019		492.4	2.7	351.8	846.9
Additions		**-**	**21.0**	**-**	**21.0**
Net transfers from property, plant and equipment	13	**21.5**	**-**	**-**	**21.5**
Transfers between asset classes		**7.2**	**(7.2)**	**-**	**-**
Disposals		**(57.4)**	**-**	**-**	**(57.4)**
At 31 March 2020		**463.7**	**16.5**	**351.8**	**832.0**
Amortisation and impairment					
At 1 April 2018		344.7	-	349.2	693.9
Amortisation charge for the year	3	43.6	-	-	43.6
Disposals		(3.2)	-	-	(3.2)
At 31 March 2019		385.1	-	349.2	734.3
Amortisation charge for the year	3	**36.4**	**-**	**-**	**36.4**
Disposals		**(57.4)**	**-**	**-**	**(57.4)**
At 31 March 2020		**364.1**	**-**	**349.2**	**713.3**
Net book value at 31 March 2020		**99.6**	**16.5**	**2.6**	**118.7**
Net book value at 31 March 2019		107.3	2.7	2.6	112.6

Intangible assets under construction comprise software assets under development by the Group.

b) Corporation intangible assets

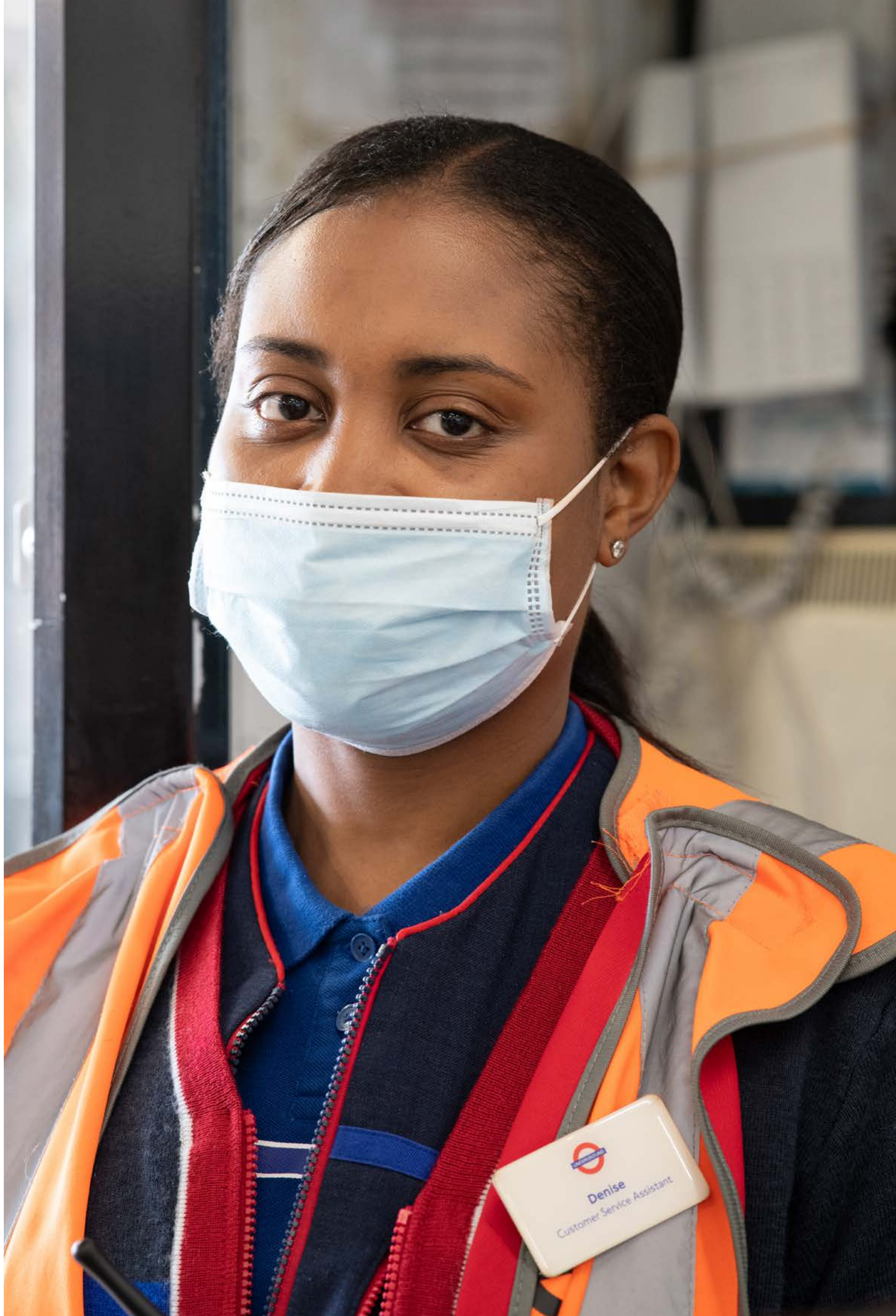
	Note	Software costs £m	Intangible assets under construction £m	Total £m
Cost				
At 1 April 2018		291.1	0.3	291.4
Additions		-	29.6	29.6
Transfers between asset classes		29.0	(29.0)	-
At 31 March 2019		320.1	0.9	321.0
Additions		**-**	**16.8**	**16.8**
Net transfers from property, plant and equipment	13	**4.6**	**-**	**4.6**
Transfers between asset classes		**7.2**	**(7.2)**	**-**
At 31 March 2020		**331.9**	**10.5**	**342.4**
Amortisation and impairment				
At 1 April 2018		212.2	-	212.2
Amortisation charge for the year	3	30.5	-	30.5
At 31 March 2019		242.7	-	242.7
Amortisation charge for the year	3	**22.0**	**-**	**22.0**
At 31 March 2020		**264.7**	**-**	**264.7**
Net book value at 31 March 2020		**67.2**	**10.5**	**77.7**
Net book value at 31 March 2019		77.4	0.9	78.3

Intangible assets under construction comprise software assets under development by the Corporation.

Notes to the Financial Statements
13. Property, plant and equipment

a) Group property, plant and equipment at 31 March 2020 comprised the following elements:

	Note	Infrastructure and office buildings £m	Rolling stock £m	Plant and equipment £m	Assets under construction £m	Total £m
Cost or valuation						
At 1 April 2019		33,608.2	5,411.0	2,034.5	17,443.9	58,497.6
Additions		389.7	9.6	27.6	2,253.2	2,680.1
Transfers to right-of-use assets	14	-	(407.7)	(0.4)	-	(408.1)
Transfers to intangible assets	12	-	-	-	(21.5)	(21.5)
Transfers to investment properties	15	(32.3)	-	-	-	(32.3)
Transfers between asset classes		356.6	(35.8)	97.4	(418.2)	-
Disposals		(133.2)	(0.5)	(29.4)	(4.7)	(167.8)
Revaluation		(6.6)	-	-	-	(6.6)
At 31 March 2020		34,182.4	4,976.6	2,129.7	19,252.7	60,541.4
Depreciation						
At 1 April 2019		13,904.7	2,358.6	1,419.1	-	17,682.4
Depreciation charge for the year	3	804.1	114.2	114.6	-	1,032.9
Transfers to investment properties	15	(18.9)	-	-	-	(18.9)
Transfers to right-of-use assets		-	(180.8)	(0.1)	-	(180.9)
Transfers between asset classes		102.2	(25.4)	(76.8)	-	-
Disposals		(1.3)	(0.5)	(28.9)	-	(30.7)
Revaluation		(36.0)	-	-	-	(36.0)
At 31 March 2020		14,754.8	2,266.1	1,427.9	-	18,448.8
Net book value at 31 March 2020		19,427.6	2,710.5	701.8	19,252.7	42,092.6
Net book value at 31 March 2019		19,703.5	3,052.4	615.4	17,443.9	40,815.2



Notes to the Financial Statements
13. Property, plant and equipment (continued)

b) Group property, plant and equipment at 31 March 2019 comprised the following elements:

	Note	Infrastructure and office buildings £m	Rolling stock £m	Plant and equipment £m	Assets under construction £m	Total £m
Cost or valuation						
At 1 April 2018		32,604.2	5,495.6	1,917.6	15,964.1	55,981.5
Additions		0.8	6.2	7.3	3,353.0	3,367.3
Disposals		(2.6)	(377.9)	(9.5)	(416.0)	(806.0)
Write offs		-	-	-	(45.9)	(45.9)
Transfers to investment properties	15	(36.4)	-	-	-	(36.4)
Transfers between asset classes		1,005.1	287.1	119.1	(1,411.3)	-
Revaluation		37.1	-	-	-	37.1
At 31 March 2019		33,608.2	5,411.0	2,034.5	17,443.9	58,497.6
Depreciation						
At 1 April 2018		13,154.6	2,233.8	1,319.1	-	16,707.5
Depreciation charge for the year	3	775.4	135.9	109.5	-	1,020.8
Disposals		(2.5)	(11.1)	(9.5)	-	(23.1)
Revaluation		(22.8)	-	-	-	(22.8)
At 31 March 2019		13,904.7	2,358.6	1,419.1	-	17,682.4

The Group holds its office buildings at valuation. All other items of property, plant and equipment are held at cost.

As set out in the going concern note to the accounting policies, management believe that all capital projects in progress at 31 March 2020 should continue to be funded. However, until a longer-term financing package has been formally agreed, a material level of uncertainty remains as to whether all projects in the course of construction at 31 March 2020 will be fully funded to completion.

Borrowing costs are included in the costs of qualifying assets to the extent that the asset is funded by borrowings. As a result, the total borrowing costs capitalised during the year were £108.5m (2019 £103.7m). The cumulative borrowing costs capitalised are £718.4m (2019 £609.9m). Borrowings are capitalised at the rate of interest directly incurred on the specific borrowings taken out to fund the asset in question.

At 31 March 2020, the Group had capital commitments which are contracted for but not provided for in the financial statements amounting to £1,237.9m (2019 £2,231.2m).

On 21 November 2019, the Corporation entered into an agreement with RiverLinx Limited for the Design, Build, Financing, Operations and Maintenance ('DBFOM') of Silvertown Tunnel, connecting the Greenwich Peninsula and the Royal Docks in London. Our financial obligations to make payments to RiverLinx Limited will start once the tunnel is open, currently planned in early 2025 (the 'Permit to Use Date'). From the Permit to Use Date, the Corporation will make performance-based availability payments, initially at £65m annually and indexed until the expiry date of the agreement in January 2050.

Notes to the Financial Statements
13. Property, plant and equipment (continued)

c) Group PFI assets and other leased assets

The net book value above includes the following amounts in respect of PFI assets and, as at 31 March 2019, other leased assets:

	Infrastructure and office buildings £m	Rolling stock £m	Plant and equipment £m	Total £m
Gross cost				
PFI assets	**976.6**	**45.3**	**16.7**	**1,038.6**
	976.6	**45.3**	**16.7**	**1,038.6**
Depreciation				
PFI assets	**549.8**	**45.3**	**16.7**	**611.8**
	549.8	**45.3**	**16.7**	**611.8**
Net book value at 31 March 2020	**426.8**	**-**	**-**	**426.8**
Net book value at 31 March 2019 *	465.1	228.5	0.3	693.9

* IFRS 16 Leases has been applied to these financial statements from 1 April 2019. The tables above include a net book value for other leased assets as at 31 March 2019 of £227.2m. On 1 April 2019 these assets were derecognised from property, plant and equipment and instead shown separately as 'right-of-use assets', measured under IFRS 16. See notes 45 and 14 for further detail.

d) Depreciation charge

The total depreciation charge for the Group for the year comprised:

Year ended 31 March	Note	2020 £m	2019 £m
Depreciation of owned assets		**993.0**	966.6
Depreciation of assets held under PFI		**39.9**	42.2
Depreciation of assets held under other finance leases *		**-**	12.0
Total depreciation	3	**1,032.9**	1,020.8

* IFRS 16 Leases has been applied to these financial statements from 1 April 2019. The table above includes a depreciation charge in respect of assets held under other finance leases in 2018/19. On 1 April 2019 these assets were derecognised from property, plant and equipment and instead included within 'right-of-use assets', measured under IFRS 16.

13. Property, plant and equipment (continued)

e) Group office buildings

The existing use value of owner-occupied office buildings at 31 March 2020 has been arrived at on the basis of a valuation carried out at that date by CBRE, a real estate advisory business not connected with the Group, and by chartered surveyors working for TfL. In determining the existing use value, the capitalisation of net income method and the discounting of future cash flows to their present value has been used. This is based upon various assumptions including the anticipated future rental income, maintenance costs and the appropriate discount rate, making reference to market evidence of transaction prices for similar properties. A deduction is made to reflect purchaser's acquisition costs. The methodology therefore falls under level 3 of the fair value hierarchy. There were no transfers of properties in or out of level 3 of the fair value hierarchy during the year (2018/19 none).

Properties are valued in accordance with the Red Book, RICS Valuation – Global Standards 2017 published by the Royal Institution of Chartered Surveyors.

Market activity has been impacted in many sectors by the coronavirus pandemic. As at 31 March 2020, our valuers were able to attach less weight to previous market evidence for comparison purposes in informing their opinions of value. The valuations included in these financial statements are therefore reported as being subject to 'material valuation uncertainty' as set out in VPS 3 and VPGA 10 of the RICS Valuation – Global Standards. Consequently, less certainty and a higher degree of caution should be attached to these values than would normally be the case.

Valuations are performed on a rolling basis, with approximately 75 per cent of the portfolio by value being valued each year. The value of these buildings at 31 March 2020 was £204.2m (2019 £321.7m) and the depreciated historic cost value was £25.7m (2019 £31.3m). A related revaluation gain for the year of £29.4m (2018/19 a gain of £59.9m) has been recognised within Other Comprehensive Income and Expenditure.

f) Group and Corporation heritage assets

Property, plant and equipment includes a number of assets of importance to the history of London transport which are classified as heritage assets in accordance with the Code. These comprise transport-related objects and material (including vehicles, posters and photographs) held to advance the preservation, conservation and education objects of London Transport Museum. The collection consists of more than 400,000 items and is housed at the museum's sites in Covent Garden and Acton.

These assets are primarily former operational assets of the TfL Group whose legal title is retained by the Corporation or another of its operating subsidiaries. Due to the diverse nature of the assets held and the lack of comparable market values, the cost of obtaining a valuation of TfL's heritage assets is such that it would not be commensurate with the benefits provided to users of the financial statements. The assets therefore remain recorded in the accounts at historical cost less accumulated depreciation. The collections have been externally valued for insurance purposes only. Management do not consider these insurance valuations to be necessarily indicative of open market fair value and hence have not incorporated the insurance values into the financial statements. As at 31 March 2020, the latest available insurance value for the collection was £37.5m (2019 £37.5m). The net book value of these assets at 31 March 2020 was £nil (2019 £nil).

g) Corporation property, plant and equipment at 31 March 2020 comprised the following elements:

	Note	Infrastructure and office buildings £m	Plant and equipment £m	Assets under construction £m	Total £m
Cost or valuation					
At 1 April 2019		**5,289.1**	**228.7**	**1,136.9**	**6,654.7**
Additions		**42.8**	**1.7**	**181.9**	**226.4**
Net transfers to intangible assets	12	**-**	**-**	**(4.6)**	**(4.6)**
Transfers to investment properties	15	**(3.2)**	**-**	**-**	**(3.2)**
Transfers between asset classes		**17.4**	**22.7**	**(40.1)**	**-**
Disposals		**(0.3)**	**-**	**-**	**(0.3)**
Revaluation		**11.1**	**-**	**-**	**11.1**
At 31 March 2020		**5,356.9**	**253.1**	**1,274.1**	**6,884.1**
Depreciation					
At 1 April 2019		**2,439.2**	**167.9**	**-**	**2,607.1**
Depreciation charge for the year	3	**110.0**	**15.5**	**-**	**125.5**
At 31 March 2020		**2,549.2**	**183.4**	**-**	**2,732.6**
Net book value at 31 March 2020		**2,807.7**	**69.7**	**1,274.1**	**4,151.5**
Net book value at 31 March 2019		2,849.9	60.8	1,136.9	4,047.6

13. Property, plant and equipment (continued)

h) Corporation property, plant and equipment at 31 March 2019 comprised the following elements:

	Note	Infrastructure and office buildings £m	Plant and equipment £m	Assets under construction £m	Total £m
Cost or valuation					
At 1 April 2018		5,149.5	204.0	1,068.8	6,422.3
Additions		-	-	239.6	239.6
Transfers to investment properties	15	(19.8)	-	-	(19.8)
Transfers between asset classes		139.6	24.7	(164.3)	-
Write offs		-	-	(7.2)	(7.2)
Revaluation		19.8	-	-	19.8
At 31 March 2019		5,289.1	228.7	1,136.9	6,654.7
Depreciation					
At 1 April 2018		2,327.6	153.4	-	2,481.0
Depreciation charge for the year	3	111.6	14.5	-	126.1
At 31 March 2019		2,439.2	167.9	-	2,607.1

The Corporation holds all its property, plant and equipment at depreciated cost.

Direct borrowing costs are included in the cost of qualifying assets to the extent that the asset is funded by borrowings. Total borrowing costs capitalised during the year were £nil (2019 £nil). The cumulative borrowing costs capitalised are also £nil (2019 £nil).

At 31 March 2020, the Corporation had capital commitments which are contracted for but not provided for in the financial statements amounting to £30.7m (2019 £86.3m).

In addition, and as described in section b) to this note, the Corporation has entered into an agreement with RiverLinx Limited for Design, Build, Financing, Operations and Maintenance ('DBFOM') of a Silvertown Tunnel, connecting the Greenwich Peninsula and the Royal Docks in London. Our financial obligations to make payments to RiverLinx Limited will start once the tunnel is open, currently planned in early 2025, initially at £65m annually and indexed until the expiry date of the agreement in January 2050.

i) Corporation PFI assets, and other leased assets

The net book value above includes the amounts in the table below in respect of PFI assets:

	Infrastructure and office buildings £m	Plant and equipment £m	Total £m
Gross cost			
PFI assets	**209.1**	**16.7**	**225.8**
Depreciation			
PFI assets	**93.7**	**16.7**	**110.4**
Net book value at 31 March 2020	**115.4**	**-**	**115.4**
Net book value at 31 March 2019	118.1	-	118.1

j) Depreciation charge

The total depreciation charge for the Corporation comprised:

Year ended 31 March	Note	**2020 £m**	2019 £m
Depreciation of owned assets		**122.8**	123.4
Depreciation of assets held under PFI		**2.7**	2.7
Total depreciation	3	**125.5**	126.1

k) Corporation office buildings and other infrastructure assets held at valuation

During 2019/20 and 2018/19 the Corporation transferred a car park and other operational land that had previously been classified as operational infrastructure and held at a depreciated net book value of £nil, into investment properties. In accordance with the provisions of IAS 40 Investment Property, the assets were revalued to their fair market value of £11.1m (2018/19 £19.8m) immediately prior to transfer. The resultant revaluation gains were recognised in the revaluation reserve.

The Corporation held no office buildings and no other property, plant or equipment at valuation at any point during the year (2018/19 none).

Notes to the Financial Statements

14. Right-of-use assets and related lease liabilities

This note provides information for leases where the Group and/or Corporation is a lessee. For leases where the Group and/or Corporation is a lessor, see note 19. For adjustments recognised on adoption of IFRS 16 on 1 April 2019, please refer to note 45.

The Group adopted IFRS 16 using the modified retrospective approach. Under this approach, the cumulative effect of adopting IFRS 16 was recognised as an adjustment to the opening balance of reserves at 1 April 2019, with no restatement of comparative information.

a) The Group Balance Sheet includes the following amounts relating to its right-of-use assets

	Note	Infrastructure and office buildings £m	Rolling stock £m	Buses £m	Motor vehicles £m	Other equipment £m	Total £m
Cost or valuation							
Assets held under finance leases at 1 April 2019 *	13	-	407.7	0.4	-	-	408.1
Assets held under operating leases at 1 April 2019		550.8	598.5	589.1	5.7	75.3	1,819.4
Additions		5.0	441.9	172.6	5.7	36.0	661.2
Revaluation		-	(63.4)	-	-	-	(63.4)
At 31 March 2020		555.8	1,384.7	762.1	11.4	111.3	2,825.3
Amortisation							
Assets held under finance leases at 1 April 2019 *	13	-	180.8	0.1	-	-	180.9
Charge for the year	3	38.3	64.7	213.7	2.5	15.6	334.8
At 31 March 2020		38.3	245.5	213.8	2.5	15.6	515.7
Net book value at 31 March 2020		517.5	1,139.2	548.3	8.9	95.7	2,309.6
Net book value at 1 April 2019 *		-	-	-	-	-	-

* In 2018/19, the Group only recognised leased assets and lease liabilities in relation to leases that were classified as 'finance leases' under IAS 17 Leases. At 31 March 2019, these finance lease assets were presented in property, plant and equipment and the related finance lease liabilities were disclosed separately on the Balance Sheet. The net book value at 1 April 2019 in the table above represents the right-of-use assets recognised on transition to IFRS 16. See note 45 for further details.

b) Group lease liabilities in relation to right-of-use assets

Year ended 31 March	2020 £m	2019 £m
Principal outstanding		
Short-term liabilities	318.2	-
Long-term liabilities	2,098.8	-
	2,417.0	-

c) Group maturity analysis of right-of-use lease liabilities

At 31 March	Group 2020 £m	Group 2019 £m
Contractual undiscounted payments due in:		
Not later than one year	352.0	-
Later than one year but not later than two years	322.2	-
Later than two years but not later than five years	583.4	-
Later than five years	1,880.9	-
	3,138.5	-
Less:		
Present value discount	(720.8)	-
Prepaid amounts	(0.3)	-
Exempt cashflows	(0.4)	-
Present value of minimum lease payments	2,417.0	-

Notes to the Financial Statements
14. Right-of-use assets and related lease liabilities (continued)

d) Analysis of amounts included in the Group Comprehensive Income and Expenditure Statement

Year ended 31 March	Note	2020 £m	2019 £m*
Amortisation of right-of-use assets	3	334.8	-
Interest payable on right-of-use lease liabilities		58.8	-
Expense relating to short-term leases (included in gross expenditure)		18.3	-
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in gross expenditure)		0.2	-
Income from sub-leasing right-of-use assets (included in gross income)		13.8	-

e) Analysis of amounts included in the Statement of Cash Flows

The total cash outflow in the Group in respect of leases in 2019/20 was £317.4m.

f) The Group's leasing activities and how these are accounted for

As a lessee, the Group leases various infrastructure and office buildings, rolling stock, buses, motor vehicles and other equipment. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

The accounting for these leases is described within the Accounting Policies, notes s) and ac).

g) Future cash flows to which the lessee is potentially exposed that are/are not reflected in the measurement of lease liabilities

Variable lease payments
Most of the Group's infrastructure and office buildings have variable lease payments linked to a consumer price index. Rolling stock contracts have variable lease payments interest linked to a floating rate. When there is a change in cash flows because of the change in consumer price index or change in floating rate, then the lease liability is re-measured to reflect those revised lease payments and corresponding adjustments are made to the right-of-use asset.

Extension and termination options
Some of the Group's lease contracts have extension and termination options. These options and related payments are only included when the Group is reasonably certain that it will exercise these options. At the date of these financial statements, there are no facts and circumstances that create an economic incentive for the Group to extend or terminate the lease.

Leases not yet commenced to which the TfL Group as a lessee is committed
As at 31 March 2020 two rolling stock contracts had commenced. However, while a certain number of units of rolling stock had been accepted and leased under these contracts as at 31 March, the entire quota in each contract had not yet been received or recognised. The right-of-use asset and the related lease liability in relation to the rolling stock accepted at 31 March 2020 were £848.8m and £914.3m respectively, out of a total commitment of £1,100m in the contracts. Because contractual payments under these lease arrangements are set at the outset of the contract in relation to the full quota of trains to be received, and the total contractual payments are not linked to the timing of acceptance of specific batches of trains, the Incremental Borrowing Rate at the commencement of the lease has been applied as the rate at which future liabilities relating to all trains under these contracts are discounted, irrespective of the date of their acceptance into use by TfL.

Notes to the Financial Statements

14. Right-of-use assets and related lease liabilities (continued)

h) The Corporation Balance Sheet includes the following amounts relating to its right-of-use assets

	Note	Infrastructure and office buildings	Other equipment £m	Total £m
Cost or valuation		£m		
Assets held under operating leases at 1 April 2019		427.3	5.7	433.0
Additions		5.0	11.7	16.7
At 31 March 2020		432.3	17.4	449.7
Amortisation				
Charge for the year	3	25.2	3.4	28.6
At 31 March 2020		25.2	3.4	28.6
Net book value at 31 March 2020		407.1	14.0	421.1
Net book value at 1 April 2019 *		-	-	-

* In 2018/19, the Corporation only recognised leased assets and lease liabilities in relation to leases that were classified as 'finance leases' in relation to PFI contracts under IAS 17 Leases. At 31 March 2019, these lease assets were presented in property, plant and equipment and the related finance lease liabilities were disclosed separately on the Balance Sheet. The net book value at 1 April 2019 in the table above represents the right-of-use assets recognised on transition to IFRS 16. See note 45 for further details.

i) Corporation lease liabilities in relation to right-of-use assets

Year ended 31 March	2020 £m	2019 £m
Principal outstanding		
Short-term liabilities	25.7	-
Long-term liabilities	413.6	-
	439.3	-

j) Corporation maturity analysis of right-of-use lease liabilities

At 31 March	2020 £m	2019 £m
Contractual undiscounted payments due in:		
Not later than one year	37.3	-
Later than one year but not later than two years	37.2	-
Later than two years but not later than five years	104.5	-
Later than five years	373.5	-
	552.5	-
Less:		
Present value discount	(113.2)	-
Present value of minimum lease payments	439.3	-

k) Analysis of amounts included in the Corporation Comprehensive Income and Expenditure Statement

Year ended 31 March	Note	2020 £m	2019 £m
Amortisation of right-of-use assets	3	28.6	-
Interest payable on right-of-use lease liabilities		12.1	-
Expense relating to short-term leases (included in gross expenditure)		4.0	-
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in gross expenditure)		0.2	-
Income from sub-leasing right-of-use assets (included in gross income)		0.4	-

Notes to the Financial Statements
14. Right-of-use assets and related lease liabilities (continued)

l) Analysis of amounts included in the Corporation Statement of Cash Flows

The total cash outflow in the Corporation in respect of leases in 2019/20 was £26.5m.

m) The Corporation's leasing activities and how these are accounted for

As a lessee, the Corporation leases various office buildings. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

The accounting for these leases is described within the Accounting Policies, notes s) and ac).

n) Future cash flows to which the lessee is potentially exposed that are/are not reflected in the measurement of lease liabilities.

Variable lease payments
Most of the Corporation's office buildings have variable lease payments linked to a consumer price index. When there is a change in cash flows because of the change in consumer price index or change in floating rate, then the lease liability is remeasured to reflect those revised lease payments and a corresponding adjustment is made to the right-of-use asset.

Extension and termination options
Some of the Corporation's lease contracts have extension and termination options. These options and related payments are only included when the Corporation is reasonably certain that it will exercise these options. At the date of these financial statements, there are no facts and circumstances that create an economic incentive for the Corporation to extend or terminate the lease.

Leases not yet commenced to which the Corporation as a lessee is committed
As at 31 March 2020 the Corporation is not party to any lease arrangements to which the Corporation as a lessee is committed but for which it has not yet recognised any right-of-use asset or liability on the Balance Sheet.

o) Peppercorn leases in the Group and Corporation

TfL has a number of leases over property and other transport infrastructure under which it pays £nil or peppercorn rents. It has undertaken an exercise to assess the fair value of the assets leased under these arrangements and has concluded that they have no material value. No amounts have therefore been recorded in the financial statements in 2019/20 in respect of these leases.

Notes to the Financial Statements
15. Investment properties

	Note	Group £m	Corporation £m
Valuation			
At 1 April 2018		537.2	11.0
Additions		52.5	52.3
Transfers to assets held for sale		(38.5)	(23.4)
Transfers from property, plant and equipment		36.4	19.8
Disposals		(99.8)	(54.4)
Fair value adjustments	8	4.2	1.5
At 31 March 2019		492.0	6.8
Additions		**2.7**	**2.7**
Transfers to subsidiary undertakings		**-**	**(10.0)**
Transfers to assets held for sale	22	**(4.8)**	**(3.2)**
Transfers from property, plant and equipment	13	**13.4**	**3.2**
Disposals		**(11.3)**	**(2.9)**
Fair value adjustments		**938.5**	**17.5**
At 31 March 2020		**1,430.5**	**14.1**

The fair value of the Group's investment properties at 31 March 2020 has been arrived at on the basis of valuations at that date by CBRE, a real estate advisory business not connected with the Group, and by chartered surveyors working for TfL. In determining the fair value, the capitalisation of net income method and the discounting of future cash flows to their present value has been used. This is based upon various assumptions including the anticipated future rental income, maintenance costs and the appropriate discount rate, making reference to market evidence of transaction prices for similar properties. A deduction is made to reflect purchaser's acquisition costs. Values are therefore calculated under level 3 of the fair value hierarchy. In estimating fair value, the highest and best use of the properties is assumed to be their current use. There were no transfers of properties in or out of level 3 of the fair value hierarchy during the year (2018/19 none).

Market activity has been impacted in many sectors by the coronavirus pandemic. As at 31 March 2020, our valuers were able to attach less weight to previous market evidence for comparison purposes in informing their opinions of value. The valuations included in these financial statements are therefore reported as being subject to 'material valuation uncertainty' as set out in VPS 3 and VPGA 10 of the RICS Valuation – Global Standards. Consequently, less certainty and a higher degree of caution should be attached to these values than would normally be the case.

Properties are valued in accordance with the Red Book, RICS Valuation – Global Standards 2017 published by the Royal Institution of Chartered Surveyors. Properties with a carrying value in excess of £5,000,000 are valued annually. Properties with a value in excess of £250,000 but less than £5,000,000 are revalued at least every three years. Properties with a value in excess of £100,000 but less than £250,000 are revalued at least every five years. Between formal valuations fair values are adjusted by the application of annual indexation.

During the year, in order to create a consolidated commercial property portfolio, assets previously held at a depreciated historical cost value within property, plant and equipment, have been identified and transferred into a designated investment portfolio alongside a range of existing investment properties. In addition, the creation of new lease structures allowed the recognition, for the first time, of newly separable investment property assets which have been recorded at fair value at the date of creation of the lease structure. These assets have been combined into a vehicle to deliver homes under the Mayor's Transport Strategy, and a growing sustainable income stream, as well as to facilitate the ability to generate both debt and equity to fund capital requirements. As a result, in the year to 31 March 2020, a total revaluation uplift of £938.5m was recognised for the Group (2018/19 £4.2m). Of this a gain of £875.2m in relation to the initial valuation of newly created assets has been recognised within other comprehensive income. The remaining £63.3m net gain relating to movements in the valuation of assets already held at valuation has been reflected within financing income.

No sensitivity analysis is presented in relation to these values due to the complex nature of the portfolio and the unusual nature of many of the properties. As previously highlighted there is a material degree of uncertainty in respect of the valuations prepared at 31 March 2020.

Rental income earned in relation to investment properties is disclosed in note 1. Operating expenditure for the year in respect of investment properties totalled £24.3m for the Group (2018/19 £24.6m).

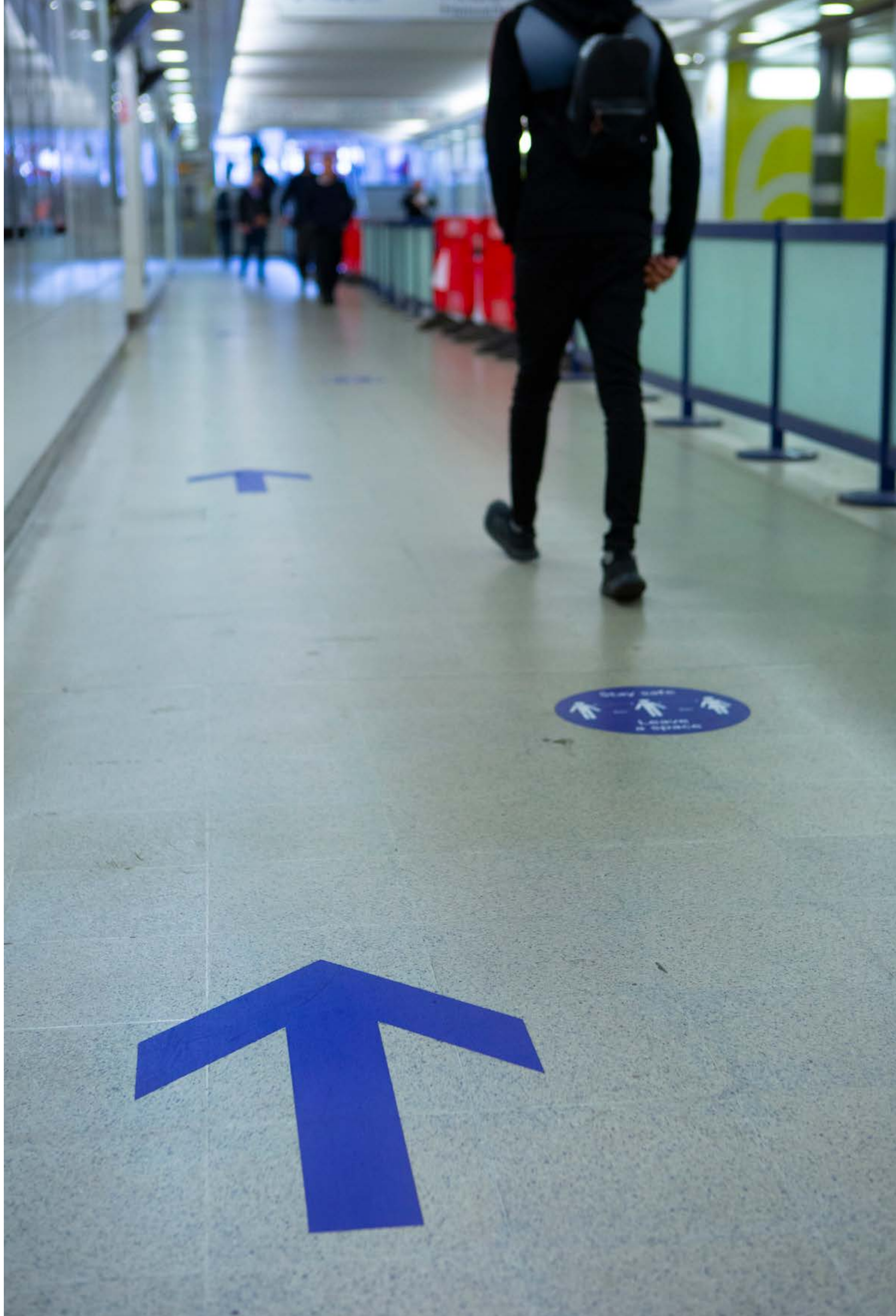
Notes to the Financial Statements

16. Investment in subsidiaries

Cost	Corporation 2020 £m	Corporation 2019 £m
At 1 April	**10,322.5**	8,762.5
Investments in year	**1,240.0**	1,560.0
At 31 March	**11,562.5**	10,322.5

During the year, the Corporation increased its investment in the ordinary share capital of Transport Trading Limited (TTL) by £1,240.0m (2018/19 £1,560.0m). TTL subsequently increased its investment in the ordinary share capital of Crossrail Limited by £1,160.0m (2018/19 £1,560.0m) and its investment in the ordinary share capital of London Bus Services Limited by £80.0m (2018/19 £nil).

The Group holds 100 per cent of the share capital of all subsidiaries. All companies listed in the table below, with the exception of London Transport Insurance (Guernsey) Limited, are registered in England and Wales; and their financial statements are lodged at Companies House and also at the Charity Commission for the London Transport Museum Limited. London Transport Insurance (Guernsey) Limited is registered in Guernsey.



Notes to the Financial Statements
16. Investment in subsidiaries (continued)

The Group's subsidiaries are:

Subsidiaries	Principal activity
City Airport Rail Enterprises Limited	Dormant company
Crossrail 2 Limited	Dormant company
Crossrail Limited	Construction of Crossrail infrastructure
Docklands Light Railway Limited	Passenger transport by rail
London Bus Services Limited	Passenger transport by bus
London Buses Limited	Dial-a-Ride services
London Dial-a-Ride Limited	Dormant company
London River Services Limited	Pier operator
London Transport Insurance (Guernsey) Limited	Insurance
London Transport Museum (Trading) Limited	Trading company
London Transport Museum Limited	Charitable company
London Underground Limited	Passenger transport by underground train
LUL Nominee BCV Limited	Dormant company
LUL Nominee SSL Limited	Dormant company
Rail for London Limited	Passenger transport by rail
Rail for London (Infrastructure) Limited	Infrastructure manager for the Crossrail Central Operating Section
TfL Trustee Company Limited	Pension Fund Trustee
Tramtrack Croydon Limited	Passenger transport by train

Subsidiaries	Principal activity
Transport for London Finance Limited	Manages financial risk of the Group
Transport Trading Limited	Holding company
TTL Blackhorse Road Properties Limited	Holding company
TTL Build to Rent Limited *	Holding company
TTL Earls Court Properties Limited	Holding company
TTL FCHB Properties Limited *	Dormant company
TTL Kidbrooke Properties Limited	Holding company
TTL Landmark Court Properties Limited	Dormant company
TTL Northwood Properties Limited	Dormant company
TTL Properties Limited	Holding company
TTL Southwark Properties Limited	Property investment
TTL South Kensington Properties Limited	Property investment
TTL Wembley Park Properties Limited *	Dormant company
Tube Lines Limited	Maintenance of underground lines
Tube Lines Pension Scheme Trustees Limited	Pension Fund Trustee
Victoria Coach Station Limited	Coach station
Woolwich Arsenal Rail Enterprises Limited	Dormant company

*Incorporated during the year

Notes to the Financial Statements
17. Investment in joint ventures

Connected Living London (BTR) Limited

In 2019/20, the Group via its subsidiary, TTL Build to Rent Limited, acquired a 49 per cent interest in a joint arrangement called Connected Living London (BTR) Limited (CLL), which was set up as a partnership together with Grainger Plc, to fund the development of a major build to rent portfolio across London. The registered office address of CLL is Citygate, St James Boulevard, Newcastle Upon Tyne, Tyne & Wear, United Kingdom, NE1 4JE.

As the Group has joint control over the net assets and operations of its investment through equal representation on the board and equal voting rights, it has equity accounted for its investment as a joint venture in these consolidated financial statements. The financial year end of CLL is 30 September. For the purposes of applying the equity method of accounting, unaudited management accounts from the date of incorporation of 25 April 2019 up to 31 March 2020 have been employed.

During 2019/20 the Group invested £7.3m in the equity of CLL. Summarised financial information in respect of the Group's investment is set out below:

Balance Sheet of Connected Living London (BTR) Limited at the 100 per cent level

At 31 March	Group 2020 £m	Group 2019 £m
Long-term assets		
Investment property under construction	10.5	-
	10.5	-
Current assets		
Cash	6.6	-
Other short-term assets	5.0	-
	11.6	-
Current liabilities		
Other short-term liabilities	(7.4)	-
	(7.4)	-
Long-term liabilities		
Other long-term liabilities	-	-
	-	-

Reconciliation of net assets to amounts included in the consolidated Group accounts

At 31 March	Group 2020 £m	Group 2019 £m
Net assets at 100%	14.7	-
Percentage held by the TfL Group	49%	n/a
Carrying amount of the Group's equity interest in CCL	7.2	-

Group share of comprehensive income and expenditure of CCL

At 31 March	Group 2020 £m	Group 2019 £m
Group share of loss from continuing operations	(0.1)	-
Group share of other comprehensive income	-	-
Total Group share of comprehensive income and expenditure for the year	(0.1)	-

The share of loss from continuing operations reflects administrative expenditure relating to the operations of the company.

Notes to the Financial Statements
18. Investment in associated undertakings

a) Earls Court Partnership Limited

The Group holds a 37 per cent holding in the ownership and voting rights of Earls Court Partnership Limited (ECP), a property development company incorporated in England and Wales. Through its voting rights and representation on the Board of Directors of ECP, the Group has significant influence but not control over the relevant activities of ECP. The Group's investment is therefore accounted for using the equity method in these consolidated accounts.

The Group has invested share capital and non-interest bearing loans into ECP. The loan notes are non-interest bearing and have no fixed repayment date. They have therefore been treated in these financial statements as an investment in the equity of ECP. As at 31 March 2019 and 31 March 2020 the Group had invested £44.4m in share capital and a further £413.1m in loan notes.

The financial year end of ECP is 31 December. For the purposes of applying the equity method of accounting, the financial statements of ECP for the year ended 31 December have been used, and appropriate adjustments made for the effects of significant transactions between that date and 31 March. There were no material movements in net income/expenditure or in the net assets of ECP between 31 December 2019 and 31 March 2020. An independent valuation of the development site held by ECP was not sought as at 31 March 2020. Management are satisfied that, after taking into account the long-term nature of the investment and evidence provided by recent market transactions, the value of the investment reflected in these financial statements is reflective of the fair value at 31 March, albeit subject to the material uncertainty inherent in real estate valuations more generally at the year end date resulting from the coronavirus situation.

Summarised financial information in respect of the Group's investment in ECP is set out below:

Balance Sheet of Earls Court Partnership Limited at the 100 per cent level

At 31 December	Group 2019 £m	Group 2018 £m
Current assets	10.4	8.8
Long-term assets	514.5	731.2
Current liabilities	(3.2)	(5.7)
Long-term liabilities	(71.7)	(65.8)

Included within current assets above is £1.2m of cash (2019 £8.0m). Long-term liabilities represent third-party borrowings.

Reconciliation of net assets to amounts included in the consolidated Group accounts

	Group 2020 £m	Group 2019 £m
Net assets at 100% at 31 December	450.0	668.5
Percentage held by the TfL Group	37%	37%
TfL Group share of net assets at 31 December	166.5	247.3
Revaluation adjustment as at 31 March 2019	-	(27.7)
Investment in equity loan notes between 31 December 2018 and 31 March 2019	-	1.0
Carrying amount of the Group's equity interest in Earls Court Partnership Limited at 31 March	166.5	220.6

Group share of comprehensive income and expenditure of Earls Court Partnership Limited

Year ended 31 March	Group 2020 £m	Group 2019 £m
Group share of loss from continuing operations	(54.1)	(94.5)
Group share of other comprehensive income	-	-
Total Group share of comprehensive income and expenditure for the year	(54.1)	(94.5)

The share of loss from continuing operations primarily reflects fair value losses recognised in respect of the revaluation of the Earl's Court development site.

Notes to the Financial Statements

18. Investment in associated undertakings (continued)

b) Kidbrooke Partnership LLP

The Group, through its subsidiary, TTL Kidbrooke Properties Limited, has a 49 per cent holding in the members' interest of Kidbrooke Partnership LLP (KP LLP), a property development partnership. Through its voting rights and representation on the Board of Members, the Group has significant influence but not control over the relevant activities of KP LLP. The Group's investment is therefore accounted for as an associate using the equity method in these consolidated accounts.

KP LLP has a 299-year lease over the land lying to the South East of Kidbrooke Park Road and is developing the site as a mixed-use development incorporating affordable housing. The financial year end of KP LLP is 31 March.

Summarised financial information in respect of the Group's investment in KP LLP is set out below:

Balance Sheet of Kidbrooke Partnership LLP at the 100 per cent level

At 31 March	Group 2020 £m	Group 2019 £m
Current assets	**30.8**	0.6
Long-term assets	**-**	25.9
Current liabilities	**(0.6)**	(0.2)
Long-term liabilities	**-**	-

Included within current assets in the table above is £1.8m of cash (2018/19 £nil).

Reconciliation of net assets to amounts included in the consolidated Group accounts

At 31 March	Group 2020 £m	Group 2019 £m
Net assets at 100%	**30.2**	26.3
Percentage held by the TfL Group	**49%**	49%
Carrying amount of the Group's equity interest in KP LLP	**14.7**	12.9

KP LLP has recognised neither a profit nor loss in the year to 31 March 2020 (2018/19 £nil). There is therefore no impact on Group consolidated profits relating to the associate. The increase in the carrying amount of the Group's equity interest during the year represents an investment of £1.8m in additional equity share capital of KP LLP. The Group's percentage shareholding has remained unchanged.

c) Blackhorse Road Properties LLP

In 2019/20 the Group acquired a 49 per cent holding in the members' interest of Blackhorse Road Properties LLP (BRP LLP), a newly created property development partnership, for a cash consideration of £11.3m. The investment was purchased through a newly incorporated subsidiary of the Group, TTL Blackhorse Road Properties Limited. Through its voting rights and representation on the Board of Members, the Group has significant influence but not control over the relevant activities of BRP LLP. The Group's investment is therefore accounted for as an associate, using the equity method in these consolidated accounts.

During the year the Group granted a 999-year lease over land at Blackhorse Road to BRP LLP for a consideration of £15.9m. The financial year end of BRP LLP is 30 June.

Summarised financial information in respect of the Group's investment in BRP LLP is set out below. Amounts presented are taken from unaudited management accounts made up to 31 March.

Notes to the Financial Statements

18. Investment in associated undertakings (continued)

Balance sheet of BRP LLP at the 100 per cent level

At 31 March	Group 2020 £m	Group 2019 £m
Current assets	33.4	-
Long-term assets	-	-
Current liabilities	(5.9)	-
Long-term liabilities	-	-

Included within current assets in the table above is £14.6m of cash (2018/19 £nil).

Reconciliation of net assets to amounts included in the consolidated Group accounts

At 31 March	Group 2020 £m	Group 2019 £m
Net assets at 100%	27.5	-
Percentage held by the TfL Group	49%	n/a
Carrying amount of the Group's equity interest in BRP LLP	13.4	-

Group share of comprehensive income and expenditure of BRP LLP

Year ended 31 March	Group 2020 £m	Group 2019 £m
Group share of profit from continuing operations	2.1	-
Group share of other comprehensive income	-	-
Total Group share of comprehensive income and expenditure for the year	2.1	-

Notes to the Financial Statements

19. Finance lease receivables

Group finance lease receivables

The Group leases certain items of plant and equipment related to its media activities to a third party under a finance lease arrangement.

Finance lease receivables on the balance sheet are calculated as the present value of minimum lease payments outstanding. Interest is accrued at a rate of 6.29 per cent per annum.

	2020 £m	2019 £m
At 31 March 2020		
Minimum cash receipts in:		
Not later than one year	**18.4**	15.5
Later than one year but not later than five years	**39.8**	43.2
	58.2	58.7
Less unearned finance income	**(5.5)**	(6.5)
	52.7	52.2

At 31 March	2020 £m	2019 £m
Principal outstanding		
Short-term	**15.7**	12.8
Long-term	**37.0**	39.4
	52.7	52.2

20. Inventories

At 31 March	Group 2020 £m	Group 2019 £m
Raw materials and consumables	**58.1**	60.4
Goods held for resale	**0.8**	0.6
	58.9	61.0

There is no material difference between the balance sheet value of Group inventories and their net realisable value. The Corporation had no inventories as 31 March 2020 or 31 March 2019.

The movement on inventories was as follows:

	Group £m
Balance at 1 April 2018	64.2
Purchases in the year	68.6
Recognised as an expense in the year:	
Consumed in the year	(63.3)
Goods sold in the year	(1.7)
Net write offs in the year	(6.8)
Balance at 31 March 2019	61.0
Purchases in the year	**76.1**
Recognised as an expense in the year:	
Consumed in the year	**(71.7)**
Goods sold in the year	**-**
Net write offs in the year	**(6.5)**
Balance at 31 March 2020	**58.9**

Notes to the Financial Statements
21. Debtors

At 31 March	Group 2020 £m	Group 2019 £m
Short-term		
Trade debtors	**99.7**	155.2
Capital debtors	**22.7**	16.6
Other debtors	**22.8**	133.6
Other tax and social security	**61.1**	58.0
Grant debtors	**118.2**	89.4
Interest debtors	**1.7**	0.5
Contract assets: accrued income	**58.5**	133.4
Prepayments for goods and services	**128.1**	110.3
	512.8	697.0
Long-term		
Other debtors	**59.4**	63.5
Prepayments for goods and services	**38.0**	49.1
	97.4	112.6

Trade debtors are non-interest bearing and are generally paid within 28 days.

As at 31 March 2020, £424.9m (2019 £293.2m) was recognised as a provision for expected credit losses on trade and other debtors (see note 35).

Contract asset balances represent accrued income recognised where balances have not yet been invoiced to the customer. Upon completion of the terms of the contract and agreement with the customer/third party contributor, the amounts recognised as contract assets are reclassified to trade debtors.

At 31 March	Corporation 2020 £m	Corporation 2019 £m
Short-term		
Trade debtors	**31.8**	28.4
Amounts due from subsidiary companies	**412.4**	407.6
Capital debtors	**6.4**	10.0
Other debtors	**5.7**	3.9
Other tax and social security	**-**	9.7
Grant debtors	**64.8**	77.5
Interest debtors	**1.5**	0.2
Contract assets: accrued income	**5.6**	56.0
Prepayments for goods and services	**25.1**	23.4
	553.3	616.7
Long-term		
Loans made to subsidiary companies	**11,106.2**	10,451.3
Other debtors	**42.8**	63.5
Prepayments for goods and services	**6.0**	2.8
	11,155.0	10,517.6

Trade debtors are non-interest bearing and are generally paid within 28 days. In 2020, £415.3m (2019 £285.7m) was recognised as a provision for expected credit losses on trade debtors (see note 35).

Contract assets balances represent accrued income recognised where balances have not yet been invoiced to the customer. Upon completion of the terms of the contract, the amounts recognised as contract assets are reclassified to trade debtors.

Long-term loans made to subsidiary companies are interest-bearing loans, primarily representing the pass-down of external third-party borrowings to the subsidiaries that hold the assets which have been funded by that borrowing. These loans accrue market rates of interest reflecting rates achieved on debt issued to third parties by the Corporation. The average rate of interest accruing on loans outstanding at 31 March 2020 was 3.6 per cent (2019 3.8 per cent).

22. Assets held for sale

	Note	Group £m	Corporation £m
Balance at 1 April 2018		83.2	-
Assets newly classified as held for sale:			
Investment properties		38.5	23.4
Revaluation gains			
Investment properties		0.7	-
Balance at 31 March 2019		122.4	23.4
Assets newly classified as held for sale:			
Investment properties	15	**4.8**	**3.2**
Revaluation losses			
Investment properties		**(4.3)**	**(4.3)**
Disposals			
Investment properties		**(9.5)**	**(3.2)**
Balance at 31 March 2020		**113.4**	**19.1**

As at 31 March 2020, certain development sites and surplus land were being actively marketed for sale. Disposals are expected to complete within the next 12 months, or, where agreements to sell have already been put in place, in line with the timing of those agreements.

23. Other investments

At 31 March	**Group 2020 £m**	Group 2019 £m
Short-term		
Investments held at amortised cost	**642.4**	215.9

At 31 March	**Corporation 2020 £m**	Corporation 2019 £m
Short-term		
Investments held at amortised cost	**623.5**	203.0

Short-term investments comprise fixed deposits, UK treasury bills and other tradeable instruments with a maturity of greater than three but less than 12 months.

Notes to the Financial Statements
24. Cash and cash equivalents

At 31 March	Group 2020 £m	Group 2019 £m
Cash at bank	231.4	181.4
Short-term investments with a maturity of less than three months	1,325.1	1,456.0
Cash in hand and in transit	10.3	28.4
	1,566.8	1,665.8

At 31 March	Corporation 2020 £m	Corporation 2019 £m
Cash at bank	85.6	48.6
Short-term investments with a maturity of less than three months	1,325.1	1,456.0
	1,410.7	1,504.6

Short-term investments comprise fixed deposits, UK treasury bills and other tradeable instruments. These are classified as cash and cash equivalents as they have a maturity of less than three months.

25. Creditors

a) Group creditors at 31 March comprised:

	Group 2020 £m	Group 2019 £m
Short-term		
Trade creditors	101.9	134.8
Accrued interest	109.9	193.2
Capital works	677.0	575.5
Retentions on capital contracts	8.5	11.5
Capital grants received in advance	26.8	12.6
Wages and salaries	144.6	97.5
Other taxation and social security creditors	47.9	149.0
Contract liabilities: receipts in advance for Travelcards, bus passes and Oyster cards	348.2	394.5
Contract liabilities representing other deferred income	58.7	61.9
Accruals and other payables	605.3	536.7
	2,128.8	2,167.2
Long-term		
Trade creditors	0.7	0.2
Capital grants received in advance	2.4	2.5
Retentions on capital contracts	4.7	3.7
Contract liabilities representing other deferred income	46.6	48.0
Accruals and other payables	7.2	7.1
	61.6	61.5

Notes to the Financial Statements

25. Creditors (continued)

The level of outstanding long-term and short-term contract liabilities as at 31 March 2020 was broadly consistent with the prior year. The remaining performance obligations expected to be met in more than one year relate to:

1. Amounts received for the redevelopment of a depot amounting to £16.3m (2019 £nil), of which £6.5m relates to obligations that are to be satisfied within two to three years and the remaining £9.8m to obligation expected to be satisfied over five years
2. License revenue and funding received from developers for improvements to bus services, which together total £20.4m (2019 £19.1m), of which £16.6m (2019 £14.3m) relates to obligations that are to be satisfied within two to three years, and £3.8m (2019 £4.8m) within five years
3. Maintenance income of £5.2m (2019 £5.3m), expected to be released over 30 years
4. Other miscellaneous contracts, together totalling £4.7m (2019 £2.1m)

At 31 March 2019, contract liabilities with performance obligations expected to be met in more than one year also included £21.5m of lease incentives received in respect of head office buildings of that were expected to be released within 18 to 24 years. On implementation of IFRS 16, on 1 April 2019, this balance was released and instead included in the calculation of the right-of-use lease liability outstanding.

Set out below is the amount of revenue recognised by the Group during the year from:

Year ended 31 March	Group 2020 £m	Group 2019 £m
Amounts included in contract liabilities at 1 April	294.3	369.5
Performance obligations satisfied in previous years	-	-

b) Corporation creditors at 31 March comprised:

At 31 March	Corporation 2020 £m	Corporation 2019 £m
Short-term		
Trade creditors	50.2	54.0
Accrued interest	107.8	190.8
Capital works	118.9	61.4
Capital grants received in advance	11.7	9.5
Amounts due to subsidiary companies	208.2	10.9
Wages and salaries	28.3	24.3
Other taxation and social security creditors	2.5	1.9
Contract liabilities representing other deferred income	18.3	14.1
Accruals and other payables	194.5	168.8
	740.4	535.7
Long-term		
Capital grants received in advance	2.4	2.5
Contract liabilities representing other deferred income	18.4	16.2
	20.8	18.7

The total long-term contract liabilities balances are broadly consistent with the prior year, whereas the total short-term contract liabilities have increased due to retention money received on projects.

At 31 March 2020, the significant balance of remaining performance obligations expected to be recognised in more than one year relates to license revenue totalling £11.5m (2019 £9.6m), of which £10.6m is expected to be satisfied within three years (2019 £8.3m) and £0.9m (2019 £1.3m) within five years. Maintenance income of £5.2m (2019 £5.3m) is expected to be released over 30 years. Balances relating to other miscellaneous contracts totalled £1.7m (2019 £1.3m).

25. Creditors (continued)

Set out below is the amount of revenue recognised during the year from:

Year ended 31 March	**Corporation 2020 £m**	Corporation 2019 £m
Amounts included in contract liabilities at 1 April	**11.1**	14.7
Performance obligations satisfied in previous years	**-**	-

26. Borrowings and overdrafts

At 31 March	**Group 2020 £m**	Group 2019 £m
Short-term		
Borrowings	**936.5**	745.9
Long-term		
Borrowings	**10,752.5**	10,398.7

At 31 March	**Corporation 2020 £m**	Corporation 2019 £m
Short-term		
Borrowings	**936.5**	745.9
Long-term		
Borrowings	**10,757.5**	10,404.5

Further information about the maturity and interest rate profiles of the Group and Corporation's borrowings is provided in note 35 (Funding and financial risk management).

We have a number of loan facilities with the European Investment Bank (EIB) and Export Development Canada (EDC). In addition, we have direct access to the UK Debt Management Office (DMO) via the Public Works Loan Board (PWLB). Borrowing from these sources has contributed to the financing of a range of projects during the year. Further, we utilised our £2bn Commercial Paper programme throughout the year to manage our liquidity requirements.

A total of £516m was borrowed from the PWLB and £100m was drawn under our EDC facilities, at fixed interest rates, during the year. As at 31 March 2020, a further £100m is fixed, under our EDC facilities, for drawdown in 2020/21. This borrowing is expected to form part of our incremental borrowing agreed with Government and has not been recognised as a liability in these financial statements in accordance with IFRS 9 Financial Instruments.

Notes to the Financial Statements
26. Borrowings and overdrafts (continued)

Changes in liabilities arising from financing activities

Changes in liabilities arising from financing activities	Group 2020 £m	Group 2019 £m
Balance at 1 April		
Short-term	**816.2**	916.1
Long-term	**10,879.6**	9,987.6
	11,695.8	10,903.7
Right-of-use lease liabilities recognised on the implementation of IFRS 16 *	**1,768.1**	-
Borrowings drawn down	**640.9**	924.2
Net additions to right-of-use lease liabilities	**410.1**	-
Additions to other financing liabilities	**3.3**	141.5
Repayment of borrowings	**(96.0)**	(196.7)
Repayment of PFI lease liabilities	**(54.2)**	(55.2)
Repayment of other finance lease liabilities	**-**	(14.4)
Repayment of other financing liabilities	**-**	(8.8)
Repayment of overdraft	**-**	(0.1)
Other movements **	**(0.5)**	1.6
At 31 March	**14,367.5**	11,695.8
Short-term	**1,272.1**	816.2
Long-term	**13,095.4**	10,879.6
	14,367.5	11,695.8

* IFRS 16 Leases has been adopted for the first time in 2019/20. 2018/19 comparatives have not been restated for this change. Further information on the impact of the implementation of this new standard is set out in note 45.

** Other movements are non-cash and relate to the unwind of discounts and fees.

Changes in liabilities arising from financing activities

Changes in liabilities arising from financing activities	Corporation 2020 £m	Corporation 2019 £m
Balance at 1 April		
Short-term	**756.9**	856.9
Long-term	**10,524.8**	9,707.3
	11,281.7	10,564.2
Right-of-use lease liabilities recognised on the implementation of IFRS 16 *	**447.2**	-
Borrowings drawn down	**640.9**	924.2
Repayment of borrowings	**(96.0)**	(196.7)
Net repayment of right-of-use lease liabilities	**(7.9)**	-
Repayment of PFI lease liabilities	**(11.1)**	(10.8)
Other movements **	**(1.3)**	0.8
At 31 March	**12,253.5**	11,281.7
Short-term	**971.2**	756.9
Long-term	**11,282.3**	10,524.8
	12,253.5	11,281.7

* IFRS 16 Leases has been adopted for the first time in 2019/20. 2018/19 comparatives have not been restated for this change. Further information on the impact of the implementation of this new standard is set out in note 45.

** Other movements are non-cash and relate to the unwind of discounts and fees.

Notes to the Financial Statements
27. Other finance lease liabilities

Other finance lease liabilities

The Group and Corporation hold a proportion of their property, plant and equipment under PFI arrangements as outlined in note 13. In 2018/19 the Group also held a further proportion of property, plant and equipment under other finance lease arrangements.

Other finance lease liabilities on the Balance Sheet under IAS 17 were calculated as the present value of minimum lease payments outstanding. IFRS 16 Leases has been applied from 1 April 2019, and all other lease liabilities thenceforth have been recognised and measured as 'right-of-use' lease liabilities under this new standard. See 45 for the impact of implementation of IFRS 16 and note 14 for details of right-of-use lease liabilities recognised on the Balance Sheet at 31 March 2020. See note 28 for the value of PFI liabilities held as at 31 March 2020.

Group other finance lease liabilities

	Minimum lease payments £m	Interest £m	Principal (present value of minimum lease payments) £m
At 31 March 2019			
Not later than one year	33.6	(17.5)	16.1
Later than one year but not later than five years	135.3	(55.5)	79.8
Later than five years	177.4	(34.5)	142.9
	346.3	(107.5)	238.8

	2019 £m
Principal outstanding	
Short-term	16.1
Long-term	222.7
	238.8

28. Private finance initiative contracts

Private Finance Initiative contracts

The Group is party to the following PFI arrangements where the Group controls the use of the infrastructure and the residual interest in the infrastructure at the end of the arrangement. These arrangements are treated as service concession arrangements and, as stipulated by the Code, are accounted for in accordance with IPSAS 32 Service Concession Arrangements – Grantor (IPSAS 32).

The Group therefore recognises PFI assets as items of plant, property and equipment together with a liability to pay for them (see note 13 for details of PFI assets). The fair values of services received under the contract are recorded as operating expenses.

The unitary charge is apportioned between the repayment of the liability, financing costs and charges for services. The service is recognised as an expense in net operating costs and the finance costs are charged to financial expenses in the Comprehensive Income and Expenditure Statement.

Contract	Contract dates	Description
TfL		
A13 Thames Gateway contract	2000 to 2030	Design and construction of improvements to the A13 infrastructure (including communication and traffic signals systems) and ongoing maintenance and operation of the A13 between Butcher Row and Wennington. The contract requires TfL to make an annual unitary payment, charged monthly and calculated according to the service provided by the concession company and the payment mechanisms defined in the contract.

Notes to the Financial Statements
28. Private finance initiative contracts (continued)

Contract	Contract dates	Description
London Underground Limited (LU)		
Connect	1999 to November 2019	Design, installation, management and maintenance of an integrated digital radio system. The contract required LU to make an annual unitary payment which is adjusted for indexation and performance as specified in the contract.
British Transport Police (London Underground)	1999 to 2021	Provision and ongoing management and maintenance of operational infrastructure to support efficient policing of the Jubilee Line Extension and the delivery of the long-term policing strategy for LU. The contract requires LU to make a base annual unitary payment which is adjusted for indexation and performance as specified in the contract.
Docklands Light Railway Limited (DLR)		
Greenwich	1996 to 2021	Design, construction and ongoing maintenance of the Greenwich extension to the Docklands Light Railway. The contract requires DLR to make payments, which are charged monthly and adjusted for any penalties relating to adverse performance against output measures describing all relevant aspects of the contract.

PFI finance lease liabilities

	Group 2020 £m	Group 2019 £m	**Corporation 2020 £m**	Corporation 2019 £m
At 1 April	**179.7**	234.9	**131.3**	142.1
Payments	**(62.9)**	(67.1)	**(16.8)**	(17.0)
Interest	**8.7**	11.9	**5.7**	6.2
At 31 March	**125.5**	179.7	**120.2**	131.3

Group

Amounts payable under the PFI arrangements cover payments for repayment of capital, payments of interest and payment of service charges. The total amount payable breaks down as follows:

	Payments of interest £m	**Repayment of capital £m**	**Payments for service charges £m**	**Total amount payable under non-cancellable PFI arrangements £m**
At 31 March 2020				
Less than 1 year	**5.5**	**13.9**	**42.8**	**62.2**
Between 1 and 5 years	**16.6**	**50.4**	**125.9**	**192.9**
Between 6 and 10 years	**6.6**	**60.4**	**140.1**	**207.1**
Between 11 and 15 years	**-**	**0.8**	**1.8**	**2.6**
	28.7	**125.5**	**310.6**	**464.8**
At 31 March 2019				
Less than 1 year	8.7	54.2	66.9	129.8
Between 1 and 5 years	18.8	48.7	137.3	204.8
Between 6 and 10 years	9.7	71.7	149.9	231.3
Between 11 and 15 years	0.2	5.1	23.4	28.7
	37.4	179.7	377.5	594.6

Notes to the Financial Statements

28. Private finance initiative contracts (continued)

Corporation

Amounts payable under the PFI arrangements cover payments for repayment of capital, payments of interest and payment of service charges. The total amount payable breaks down as follows:

	Payments of interest £m	Repayment of capital £m	Payments for service charges £m	Total amount payable under non-cancellable PFI arrangements £m
At 31 March 2020				
Less than 1 year	**5.2**	**9.0**	**22.8**	**37.0**
Between 2 and 5 years	**16.5**	**50.0**	**120.9**	**187.4**
Between 6 and 10 years	**6.6**	**60.4**	**140.1**	**207.1**
Between 11 and 15 years	**-**	**0.8**	**1.8**	**2.6**
	28.3	**120.2**	**285.6**	**434.1**
At 31 March 2019				
Less than 1 year	5.8	11.0	22.4	39.2
Between 2 and 5 years	18.4	43.6	112.3	174.3
Between 6 and 10 years	9.7	71.7	149.9	231.3
Between 11 and 15 years	0.2	5.0	23.4	28.6
	34.1	131.3	308.0	473.4

29. Other financing liabilities

Group other financing liabilities at 31 March comprised:

	Group 2020 £m	Group 2019 £m
Deferred capital payments	**3.5**	-
Long-term		
Deferred capital payments	**132.5**	132.7

Other financing liabilities comprise deferred capital payments in respect of the acquisition of property, plant and equipment. Gross payments with a nominal value of £159.7m (2019 £159.7m) fall due over the period to March 2033. These have been discounted back at an effective rate of interest of 2.5 per cent (2019 2.5 per cent) to the present value recorded in the table above.

30. Provisions

a) Group provisions

	At 1 April 2019 £m	Utilised in the year £m	Charge for the year £m	Releases in the year £m	**At 31 March 2020 £m**
Compensation and contractual	253.0	(111.6)	39.1	(80.1)	**100.4**
Capital investment activities	89.9	(17.6)	5.1	(0.5)	**76.9**
Environmental harm	1.4	-	-	-	**1.4**
Severance and other	56.2	(27.4)	56.4	(13.3)	**71.9**
	400.5	(156.6)	100.6	(93.9)	**250.6**

At 31 March	**2020 £m**	2019 £m
Due		
Short-term	**192.6**	345.9
Long-term	**58.0**	54.6
	250.6	400.5

b) Corporate provisions

Corporate provisions	At 1 April 2019 £m	Utilised in the year £m	Charge for the year £m	Releases in the year £m	**At 31 March 2020 £m**
Compensation and contractual	37.5	(16.3)	3.4	(5.5)	**19.1**
Capital investment activities	89.9	(17.6)	5.1	(0.5)	**76.9**
Severance and other	21.8	(20.2)	53.3	(3.3)	**51.6**
	149.2	(54.1)	61.8	(9.3)	**147.6**

At 31 March	**2020 £m**	2019 £m
Due		
Short-term	**124.6**	127.8
Long-term	**23.0**	21.4
	147.6	149.2

c) Nature of provisions

Compensation and contractual
The Group has provisions for expected compensation and contractual claims that arise in respect of disputes arising in the ordinary course of business. The provisions recorded as at 31 March are based on management's best estimate at the balance sheet date of the likely loss to be incurred through settlement. Reflecting the inherent uncertainty with many legal proceedings and claim settlements, the timing and amount of the outflows could differ from the amount provided. Based on current estimates management expects that these amounts, which are based on known facts and take account of past experience for similar items, will be settled within the next one to five years. Where material the provision held is discounted to its present value.

Capital investment activities
Capital investment activities include compulsory purchases, claims in respect of structural damage or diminution in value of properties affected by transport schemes, and other related third-party claims. Estimates are made with reference to relevant market trends. Compulsory Purchase Order provision amounts have been based on the professional estimates of lawyers and surveyors of the land acquisition, development value, disturbance, statutory interest and professional fees for both sides of the negotiation on a case by case basis. Due to the nature of these liabilities and the need to negotiate settlement amounts, there is considerable uncertainty regarding when Compulsory Purchase Order cases will be settled and payments made. At present management expects these provisions to be settled within the next five years.

Environmental harm
Environmental harm relates to potential costs associated with damage to the environment as a result of actions taken in the past. Management expects this provision to be settled within the next five years.

Severance and other
Severance and other provisions include voluntary severance costs arising from reorganisations and other smaller claims. Management expects these provisions to be settled within the next year.

Notes to the Financial Statements

31. Derivative financial instruments

Group cash flow hedges

At 31 March	Fair value 2020 £m	Notional amount 2020 £m	Fair value 2019 £m	Notional amount 2019 £m
Long-term assets				
Interest rate swaps	-	-	2.7	96.0
Foreign currency forward contracts	1.5	20.1	4.1	49.6
	1.5	20.1	6.8	145.6
Current assets				
Foreign currency forward contracts	3.4	40.5	7.8	272.4
Foreign currency options	-	-	4.0	299.0
	3.4	40.5	11.8	571.4
Current liabilities				
Interest rate swaps	(0.3)	25.0	(1.2)	150.0
Foreign currency forward contracts	(26.0)	688.5	(1.8)	220.9
	(26.3)	713.5	(3.0)	370.9
Long-term liabilities				
Interest rate swaps	(50.9)	408.6	(43.0)	334.9
Foreign currency forward contracts	(12.2)	316.6	(3.5)	74.4
	(63.1)	725.2	(46.5)	409.3

The Corporation has not entered into any derivative financial instrument contracts.

32. Contingencies

There are a number of uncertainties surrounding projects, including claims in the course of negotiations, which may affect the Group's financial performance. Where claims are possible but not probable, or unquantifiable, such claims are treated as contingent liabilities. Contingent liabilities are not recognised in the financial statements, but are monitored to ensure that, where a possible obligation has become probable or a transfer of economic benefits has become probable, a provision is made.

The impact of these contingent liabilities on the Group's financial performance, liquidity or financial position is not considered to be material.

33. Guarantees

Section 160 of the GLA Act 1999 (the GLA Act) sets out the conditions under which the Corporation may give certain guarantees, indemnities or similar arrangements. Under section 161 of the GLA Act, TfL is obliged to disclose in its annual report details of all guarantees etc. so given.

TfL and its subsidiaries have entered into joint and several guarantees in favour of HSBC Bank plc as security for any bank indebtedness outstanding from time to time. TfL has also separately guaranteed any liabilities owing to HSBC Bank plc by its subsidiary, Crossrail Limited.

The Corporation has given guarantees in respect of some of its subsidiary companies' contracts. The amount that could be payable under the guarantees (as described below) varies depending on a number of factors, including, inter alia, responsibility for the costs arising from an early termination of the underlying contract, which are not known before the event. For information only, the approximate maximum amounts of debt that were envisaged to be drawn by the counterparty at the signing of the agreements are disclosed overleaf. For the avoidance of doubt, these amounts do not represent the amounts that could be payable by TfL under the guarantees but are shown here to give an indication of the relative size of each contract.

Notes to the Financial Statements
33. Guarantees (continued)

	Estimated maximum debt drawn by counterparty at start of contract £m
Agreement with 345 Rail Leasing Limited	886
Agreement with CityLink Telecommunications Ltd	502
Agreements with QW Rail Leasing Ltd	380
Agreement with London Rail Leasing Ltd	350
Agreement with Lloyds Bank PLC	109
Agreement with Pittville Leasing Ltd	51
Agreement with Lombard North Central Plc	7
Agreement with APSLL	4

In addition, TfL also guarantees the payments of certain of its subsidiaries under a number of other service and construction contracts. It guarantees pension liabilities due to the London Pension Fund Authority from Briggs Marine Contractors Limited in respect of employees working on the Woolwich Ferry. It has guaranteed amounts owed by London Bus Services Limited to the Fuel Cells and Hydrogen Joint Undertaking under a Grant agreement for the 3EMOTION Environmentally Friendly, Efficient Electric Motion project.

It has guaranteed London Underground Limited's payment obligations as a tenant in respect of an operating lease for the Stratford City Business District. It has also provided an indemnity to Berkeley 55 Limited in respect of future Mayoral CIL payments that Berkeley 55 Limited may be charged in relation to the fit out of the Crossrail station at Woolwich.

Unlike the agreements listed above, these contracts are not based on an initial amount of debt and so cannot be quantified in a similar manner.

TfL also acts as a guarantor in respect of all liabilities under third party derivative contracts entered into by its subsidiary, Transport for London Finance Limited. The fair value of net liabilities outstanding under derivative contracts at 31 March 2020 is £84.5m (2019 £30.9m).

No arrangements were entered into with another person under which that person gives a guarantee which TfL has power to give under section 160 (4) of the GLA Act and no indemnities associated with the guarantees were given by virtue of section 160 (5) of the GLA Act.

The majority of guarantees granted by TfL are in respect of the obligations of its subsidiaries. These obligations are, in any case, recorded as liabilities on the Group Balance Sheet. The probability of any amounts becoming payable by the Corporation under the above guarantees and indemnities is considered remote. As at 31 March 2020 the fair value of all financial guarantees granted has been recorded as £nil (2019 £nil).

34. Financial commitments

a) Operating leases – The Group as lessee

Up to and including 31 March 2019, the Group applied IAS 17 Leases to accounting for its obligations in respect of leased assets. The Group's commitments under operating lease agreements as at 31 March 2019 are therefore set out below. They primarily related to office space, motor vehicles and rail access. All leases were entered into on commercial terms. For lease obligations as at 31 March 2020, recognised under IFRS 16, see note 14.

The Group was committed to the following future minimum lease payments under non-cancellable operating leases:

	Land and buildings £m	Rail access £m	Motor vehicles £m	Rolling stock £m	Total £m
At 31 March 2019					
Within one year	51.9	10.8	2.4	16.4	81.5
Between one and two years	46.9	11.1	1.9	37.4	97.3
Between two and five years	137.4	13.0	2.6	128.1	281.1
Later than five years	606.0	21.4	-	748.5	1,375.9
	842.2	56.3	6.9	930.4	1,835.8

b) Operating leases – The Group as lessor

The Group leases out commercial, retail and office property, rail access and land that it holds as a result of its infrastructure holdings.

At the balance sheet date, the Group had contracted with customers for the following future minimum lease payments:

	Land and buildings £m	Rail access £m*	Total £m
At 31 March 2020			
Within one year	**73.8**	**-**	**73.8**
Between one and two years	**64.8**	**-**	**64.8**
Between two and five years	**148.5**	**-**	**148.5**
Later than five years	**611.6**	**-**	**611.6**
	898.7	**-**	**898.7**
At 31 March 2019			
Within one year	65.4	5.2	70.6
Between one and two years	57.1	5.4	62.5
Between two and five years	127.0	8.1	135.1
Later than five years	693.0	7.2	700.2
	942.5	25.9	968.4

* Under IFRS 16, the Rail access arrangements are no longer classified as a lease. Only prior year commitments under IAS 17 are shown.

34. Financial commitments (continued)

c) Operating leases – The Corporation as lessee

Up to and including 31 March 2019 the Corporation applied IAS 17 Leases to accounting for its obligations in respect of leased assets. The Corporation's commitments under operating lease agreements as at 31 March 2019 are therefore set out below. They primarily related to office space. It also leased motor vehicles under operating leases from a subsidiary undertaking. All leases were entered into on commercial terms. For lease obligations as at 31 March 2020, recognised under IFRS 16, see note 14.

The Corporation was committed to the following future minimum lease payments under non-cancellable operating leases:

	Land and buildings £m	Motor vehicles £m	Total £m
At 31 March 2019			
Within one year	33.4	0.1	33.5
Between one and two years	32.0	0.1	32.1
Between two and five years	95.3	0.1	95.4
Later than five years	395.4	-	395.4
	556.1	0.3	556.4

d) Operating leases – The Corporation as lessor

The Corporation leases out commercial, retail and office property and land that it holds as a result of its infrastructure holdings.

At the balance sheet date, the Corporation had contracted with customers for the following future minimum lease payments:

	Land and buildings £m	Total £m
At 31 March 2020		
Within one year	**3.7**	**3.7**
Between one and two years	**3.1**	**3.1**
Between two and five years	**6.9**	**6.9**
Later than five years	**53.4**	**53.4**
	67.1	**67.1**
At 31 March 2019		
Within one year	5.3	5.3
Between one and two years	4.9	4.9
Between two and five years	8.6	8.6
Later than five years	8.6	8.6
	27.4	27.4

35. Funding and financial risk management

Introduction

TfL is a statutory corporation established under the GLA Act 1999. TfL is funded by revenues (predominantly passenger income), grant and prudential borrowing. The Group's debt is issued by the statutory corporation, Transport for London, in the form of loans from the PWLB, the EIB and EDC, Medium Term Notes under the £5bn TfL Euro Medium Term Note programme, and short-term Commercial Paper under the £2bn TfL Euro Commercial Paper programme.

Treasury Management

TfL has a Treasury Management Strategy which is required to be updated on at least an annual basis and is approved by the TfL Board prior to the commencement of each financial year.

The Treasury Management Strategy for 2019/20 was prepared having regard to the Local Government Act 2003 and the Local Authorities (Capital Finance and Accounting) Regulations 2003 (as amended), the key recommendations of the Code of Practice and Cross-Sectoral Guidance Notes for Treasury Management in the Public Services (2017 Edition) (the Treasury Management Code) and the Prudential Code for Capital Finance in Local Authorities (2017 Edition) (the Prudential Code), both issued by CIPFA, as well as the key recommendations of the Statutory Guidance on Local Authority Investments (2010 Edition) issued by the former Department for Communities and Local Government (the Investment Guidance).

The Group's principal financial instruments comprise borrowings, investments, derivatives, lease liabilities and receivables, PFI liabilities and cash and cash equivalents. These financial instruments are used to manage funding and liquidity requirements. Other financial instruments that arise directly from the Group's operations include trade receivables and payables and other financing liabilities.

The Group monitors the risk profile of its borrowing, investment and derivative programmes against approved benchmarks and provides regular reports to the Chief Finance Officer. Semi-annual reports on overall performance against the approved strategy are considered by the Finance Committee (a committee of the TfL Board). Section 49 of the TfL Act 2008 confers upon TfL the powers to use derivative financial instruments for risk management purposes only via qualifying subsidiaries.

The Prudential Borrowing Regime

TfL has the power to borrow as it is treated as a local authority for the purposes of financial management under the Local Government Act 2003. In accordance with this Act, the Mayor, in consultation with TfL, sets an affordable borrowing limit for external debt (including direct borrowing and other long-term liabilities). In setting this limit, the Mayor and TfL are required by regulation to have regard to the Prudential Code. In accordance with the Prudential Code and Treasury Management Code, the TfL Board annually approves a long-term capital strategy and a set of indicators, for prudent and affordable borrowing, for estimates of capital expenditure, for interest rate exposures and the maturity profile of its borrowing.

TfL also agrees its maximum annual incremental borrowing capacity with Government.

Financial Risks and Risk Management

The Group is exposed to a number of financial risks in the normal course of its business operations, the key ones being:

- Credit risk
- Market risk
- Liquidity risk

Each of these risks is managed in accordance with the Group's comprehensive risk management process. The TfL Board, through its Finance Committee, approves and monitors the risk management processes, including documented treasury policies, counterparty limits, and controlling and reporting structures.

Credit risk

Credit risk is managed on a Group-wide basis. Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet contractual obligations. The following categories comprise the main credit exposures of the Group.

(i) Trade receivables and contract assets

The Group earns the majority of its revenue through prepaid fares. Financial assets arise from: penalty charges, fare revenues not earned on a prepaid basis, commercial activities such as property rental or advertising and amounts due under contractual arrangements from partners or suppliers. The maximum exposure to credit risk at the reporting date is the carrying value disclosed in note 21.

A significant portion of the financial assets arising in the Corporation are with other Group companies. Per note 33, the Corporation has granted guarantees in respect of the obligations of its subsidiaries, mitigating credit risk attached to settlement of these intercompany financial assets.

Customer credit risk is managed by a central credit control function subject to TfL's policy, procedures and control framework. Counterparties are assessed individually for their creditworthiness at the time of entering into contracts and an internal credit rating is assigned.

At each reporting date, the Group applies the IFRS 9 simplified approach to measuring expected credit losses. This approach uses a lifetime expected loss allowance for all trade receivables and contract assets. In determining the expected loss rates, trade receivables and contract assets are considered together based on shared credit risk characteristics. Historical loss rates over the short to medium term are applied to groupings of various customer segments within trade receivables and

35. Funding and financial risk management (continued)

contract assets. These rates are adjusted to reflect expectations about future credit losses. There is a rebuttable presumption that default has occurred if assets are more than 90 days past due.

Despite the application of a loss allowance, these balances remain subject to enforcement activity and recoveries will be credited against the same line item as the expected credit loss within operating profit.

On that basis, the loss allowance as at 31 March 2020 was determined as follows for both trade receivables and contract assets:

Age of trade and other debtors: Group

	Not overdue £m	Overdue by less than 3 months £m	Overdue by between 3 and 6 months £m	Overdue by between 6 months and 1 year £m	Overdue by more than 1 year £m	Total £m
At 31 March 2020						
Expected credit loss rate	**0.3%**	**48.1%**	**93.8%**	**99.9%**	**100.0%**	**48.9%**
Estimated total gross carrying amount at default	**421.7**	**40.1**	**42.2**	**71.8**	**293.2**	**869.0**
Expected credit loss allowance	**(1.1)**	**(19.3)**	**(39.6)**	**(71.7)**	**(293.2)**	**(424.9)**
At 31 March 2019						
Expected credit loss rate	0.2%	27.1%	77.2%	92.9%	100.0%	31.1%
Estimated total gross carrying amount at default	621.5	31.0	19.7	36.5	234.7	943.4
Expected credit loss allowance	(1.0)	(8.4)	(15.2)	(33.9)	(234.7)	(293.2)

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there may be no reasonable expectation of recovery include, amongst other things; failure of a debtor to engage in a repayment plan or advice from TfL's legal department.

Age of trade and other debtors: Corporation

	Not overdue £m	Overdue by less than 3 months £m	Overdue by between 3 and 6 months £m	Overdue by between 6 months and 1 year £m	Overdue by more than 1 year £m	Total £m
At 31 March 2020						
Expected credit loss rate	**-**	**64.0%**	**97.4%**	**100.0%**	**100.0%**	**3.4%**
Estimated total gross carrying amount at default	**11,665.5**	**29.7**	**37.9**	**68.3**	**291.1**	**12,092.5**
Expected credit loss allowance	**-**	**(19.0)**	**(36.9)**	**(68.3)**	**(291.1)**	**(415.3)**
At 31 March 2019						
Expected credit loss rate	-	45.7%	79.5%	93.7%	100.0%	2.5%
Estimated total gross carrying amount at default	11,092.8	17.5	17.6	34.9	231.0	11,393.8
Expected credit loss allowance	-	(8.0)	(14.0)	(32.7)	(231.0)	(285.7)

Notes to the Financial Statements
35. Funding and financial risk management (continued)

(ii) Investments
All cash balances are invested in accordance with TfL's Treasury Management Strategy, which was developed with regard to the Treasury Management Code and the Investment Guidance, and which requires a prudent approach to the investment of surplus funds with priority given to security and liquidity.

Investments are made within limits approved by the TfL Board annually. Counterparty limits are set according to the assessed risk of each counterparty and are linked to the credit rating of the institution. Exposures are monitored against these limits on a regular basis.

TfL considers the risk of the overall portfolio as well as individual investments, seeking to diversify its investments and has regard to the exposure to any one counterparty, country, industry, investment type and credit. The investment portfolio is allocated across sovereigns, government agencies, financial institutions, corporates and money market funds.

Certain banks hold collateral on TfL's account to provide security for TfL's reverse repurchase agreement investments. As at 31 March 2020, the fair value of the collateral held amounted to £nil (2019 £270m).

The centrally managed cash reserves at 31 March 2020 totalled £1,949.1m (2019 £1,659.0m).

As at 31 March, principal funds managed centrally on behalf of the Group and placed on deposit by the Corporation were as follows:

Investments	Amount £m	Minimum Credit Rating (S&P/Moody's/Fitch)	Weighted average days to maturity
At 31 March 2020			
UK Debt Management Office	**742**	**P-1/A-1+**	**28**
Other Government Agencies	**480.6**	**P-1/A-1+/F1+**	**47**
Banks (including Gilt backed repos)	**377**	**P-1/A-1+/F1+**	**34**
Corporates	**349.5**	**P-2/A-2/F2**	**37**
Total	**1,949.1**		**35**
At 31 March 2019			
UK Debt Management Office	336.3	P-1/A-1+	49
Other Government Agencies	278.1	P-1/A-1+/F1+	55
Money Market Funds	280.0	AAA/AAA/AAA	1
Banks (including Gilt backed repos)	604.0	P-2/A-2/F1	28
Corporates	160.6	P-2/A-2/F2	42
Total	1,659.0		33

All of the entity's cash and investments are considered to have low credit risk; they are highly rated by major rating agencies, have a low risk of default and the counterparties have a strong capacity to meet obligations in the near term. While low risk, these remain subject to the impairment requirements of IFRS 9 at each reporting date. The identified 12 month expected loss allowance at 31 March 2020 and as at 31 March 2019 was immaterial.

Notes to the Financial Statements

35. Funding and financial risk management (continued)

(iii) Derivative financial instruments
Counterparty limits are established and monitored in accordance with TfL's Policy relating to the use of Derivative Investments, which is approved by the TfL Board. The Group spreads its exposure over a number of counterparties and has strict policies on how much exposure can be assigned to each counterparty.

The Group's maximum credit risk exposure relating to financial derivative instruments is noted in the maturity profile of derivatives tables within the market risk section of this note. The credit risk with regard to financial derivative instruments is limited because TfL has arrangements in place with each bank wherein, should the derivative be in an asset position for TfL and the market value reaches a contractually defined threshold, TfL can call upon the bank to post collateral in cash or eligible securities. TfL only envisages using these rights in the event that the financial strength of the institution has deteriorated since the limits were approved.

(iv) Guarantees
The Corporation provides guarantees to third parties under section 160 of the GLA Act, as disclosed in note 33, which are deemed necessary for the fulfilment of its policies. The Group's policy is to recognise financial guarantees at the higher of an expected credit loss allowance and the amount initially recognised as fair value less any amortisation that has occurred to date. As at 31 March 2020, the fair value of the Corporation's financial guarantees has been assessed as £nil (2019 £nil).

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and inflation will affect the Group's income, expenditure or the value of its holdings of financial instruments. The Group, through its wholly owned subsidiary, Transport for London Finance Limited, uses derivatives (hedging instruments) to reduce exposure to interest rate and foreign exchange rate movements (the hedged risks) on existing contracts and highly probable future transactions. The Group does not use derivative financial instruments for speculative purposes.

On inception, all interest rate derivatives and foreign currency derivative instruments hedging commercial contracts are designated in highly effective hedge relationships and hedge accounting is applied. If a derivative should no longer satisfy the hedging criteria in accordance with adopted IFRS 9 Financial Instruments (IFRS 9), hedge accounting ceases and the derivative is fair valued immediately through the Comprehensive Income and Expenditure Statement.

The use of derivative instruments can itself give rise to credit and market risk. Market risk is the possibility that future changes in interest rates may make a derivative more or less valuable. Since the Group uses derivatives for risk management, market risk relating to derivative instruments is principally offset by changes in the cash flows of the transactions being hedged.

For the years ended 31 March 2020 and 2019, no ineffectiveness was recognised and all derivatives in designated hedge relationships were assessed as highly effective. Accordingly, the movement in the fair value of those derivatives was taken to reserves.

(i) Foreign exchange risk
During 2019/20, TfL held certain short-term investments denominated in Euros and US Dollars. These foreign currency denominated investments were swapped back to GBP through the use of forward foreign exchange contracts. These contracts were not in formally designated hedging relationships for accounting purposes, as the currency gain or loss on retranslation of the investments is offset within net cost of services at the Group level by the movement in the fair value of the derivative instruments. As at 31 March 2020, the Group held foreign exchange contracts to hedge €720.4m future Euro receipts in relation to its Euro investments (2019 €285.7m). Throughout the year, the hedging strategy provided an effective offset of fair value movements due to holding foreign currency investments. The unrealised exchange net gain was £0.7m as at 31 March 2020 (2018/19 a net loss of £0.4m). These derivative instruments mature in the period to 27 August 2020.

For 2019/20, the broad policy on managing transactional foreign exchange risk arising from contractual obligations with overseas providers was to retain the risk where there was a value in doing so, where the exposure was highly probable and the risk profile highly certain. For exposures not meeting these criteria, the exchange risk was passed on to the vendor. These exchange rate exposures were managed through the use of forward foreign exchange contracts and call options whose critical terms are closely aligned to the exposure, such as notional amount, expected maturity date and currency. Hedge accounting is applied to these derivative instruments.

Where funds were received in specific currencies in which the Group expected to have future exposures, the Treasury Management Strategy made allowances to place these funds on deposit. This gave the Group the flexibility to offer certain payments in specific foreign currencies where required.

Effects of hedge accounting - Foreign currency hedges in relation to capital expenditure
At 31 March 2020, the Group held forward foreign derivative contracts in Euros, Canadian Dollars, Swiss Francs, Swedish Krona and Chinese Yuan Renminbi. These forward contracts hedge planned foreign currency capital expenditure payments with a nominal value of £443.1m (2019 £187.1m). At 31 March 2020, these contracts had a combined net fair value of £(10.5m) (2019 £3.5m). The fair value of forward contracts were recognised in equity at 31 March 2020 and once hedged purchases occur, the subsequent realised gain or loss will be transferred to fixed asset additions as a basis adjustment.

The hedge ratio is 1:1. The economic relationship of all hedging relationships has been assessed as effective and the change in value of hedged items since 1 April 2019 has been offset by the change in value of hedging instruments.

35. Funding and financial risk management (continued)

It is expected that the hedged purchases will take place in the period to 22 September 2025. Detail on the maturity of these contracts is disclosed later in this note.

Sensitivity analysis on foreign exchange risk at 31 March

	2020 Net nominal value £m	2020 Fair value £m	2020 Fair value after a 10% increase in GBP against other currency £m	2020 Fair value after a 10% decrease in GBP against other currency £m	2019 Net nominal value £m	2019 Fair value £m	2019 Fair value after a 10% increase in GBP against other currency £m	2019 Fair value after a 10% decrease in GBP against other currency £m
Net sell								
Euros	**264.7**	**(33.3)**	**(6.3)**	**(66.5)**	-	-	-	-
Net buy								
Euros	**-**	**-**	**-**	**-**	91.2	5.6	18.1	(18.0)
Canadian dollars	**62.3**	**2.5**	**(3.4)**	**9.6**	96.0	7.3	0.2	15.4
Swiss Francs	**2.3**	**(0.1)**	**(0.3)**	**0.2**	2.8	(0.2)	(0.5)	0.1
Swedish Krona	**22.5**	**(2.9)**	**(4.4)**	**(0.5)**	26.1	(2.5)	(4.6)	0.2
Chinese Yuan Renminbi	**6.4**	**0.5**	**(0.1)**	**1.3**	6.4	0.4	(0.2)	1.2
Total asset/ (liability)	**n/a**	**(33.3)**	**(14.5)**	**(55.9)**	n/a	10.6	13.0	(1.1)

The Group has no other material financial assets or liabilities denominated in foreign currencies, and thus has no general translation exposure to gains or losses arising from movements in exchange rates.

(ii) Interest rate risk

The Group is mainly exposed to interest rate risk on its planned future borrowings, which are agreed with Government. As TfL is required by legislation to produce a balanced Budget and produces a balanced Business Plan annually, any uncertainty over the cost of future borrowing requires funding to be set aside in the Business Plan against that risk rather than being invested in the transport system.

The Group is also exposed to interest rate risk in respect of its investments. Investments are made in accordance with the Treasury Management Strategy, which prioritises security and liquidity over yield.

In order to achieve certainty over the cost of a portion of its planned borrowings, TfL, through its wholly owned subsidiary, Transport for London Finance Limited, employs a number of interest rate swaps and gilt locks of both highly probable and existing borrowings. Transport for London Finance Limited also holds interest rate swaps to fix the floating interest rate risk within committed lease payments for rolling stock. The critical terms of these derivative instruments are closely aligned to the payment schedules and hedge accounting is applied.

Effects of IBOR reform

Following the financial crisis, the reform and replacement of benchmark interest rates such as interbank offered rates ('IBORs') has become a priority for global regulators. There is currently uncertainty around the timing and precise nature of these changes. The Group's most significant risk exposure affected by these changes relates to its LIBOR linked floating rate borrowing and lease payments.

The notional amount of interest rates swaps designated as hedges relating to LIBOR is disclosed below.

In assessing whether the hedge is expected to be highly effective on a forward looking basis, the Group has early adopted IFRS 9 Phase 1 amendments and applied the associated temporary reliefs to assume that the GBP LIBOR interest rate, upon which the cashflows of the interest rate swaps and the cashflows attributable to the hedged risk are based, are not altered by IBOR reform.

Effects of hedge accounting - Interest rate swaps

As at 31 March 2020, the Group, through its wholly owned subsidiary, Transport for London Finance Limited, held 9 interest rate swaps at a total notional value of £433.6m (2019 12 interest rate swaps at a total notional value of £580.9m). The net fair value of these contracts at 31 March 2020 was a liability of £51.2m (2019 £41.5m). The fair value is recognised in equity at 31 March 2020 and will be transferred to net financing costs within the Comprehensive Income and Expenditure Statement as the hedged payments occur.

The hedge ratio is 1:1. The economic relationship of all hedging relationships has been assessed as effective and the change in value of hedged items since 1 April 2019 has been offset by the change in value of hedging instruments.

It is expected that the hedged interest payments will take place in the period to December 2042. Details on the maturity of these contracts are disclosed later in this note.

Notes to the Financial Statements
35. Funding and financial risk management (continued)

Sensitivity analysis on interest rate risk

(a) Fair value sensitivity analysis for fixed interest instruments
All of the Group's non-derivative financial instruments with fixed rates of interest are accounted for at amortised cost. Fluctuations in market interest rates would therefore have no impact on the balance sheet or net income figures in respect of these items.

(b) Fair value sensitivity analysis for derivative instruments
As at 31 March 2020, the Group holds interest rate derivative contracts with a combined notional value of £433.6m (2019 £580.9m) which are designated as cash flow hedges.

An increase/(decrease) of 100 basis points in interest rates would increase/(decrease) the fair value of the derivative instruments by £31.9m/£(30.3)m (2019 £34.5m/£(32.6)m).

(iii) Inflation risk

The Group has a number of exposures to inflation including staff pay awards and passenger income. The Group has not entered into any derivative instrument to manage its exposure to inflation risk. Historically this risk has been partially offset with index linked revenues and index linked costs creating a natural hedge within the Group.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Maintaining sufficient cash reserves and having access to a diverse range of flexible funding sources ensures the Group has sufficient liquidity to meet its liabilities, in both normal and stressed conditions.

Liquidity risk is primarily managed by maintaining a minimum level of cash reserves of at least 60 days' worth of forecast annual operating expenditure, equivalent to approximately £1.2bn.

The Corporation has access to several external sources of financing, which are sufficient to meet anticipated funding requirements, within the affordable borrowing limit set by the Mayor. Providing market conditions permit access, the Corporation can raise debt on the capital markets through its established £5bn Medium Term Note programme and £2bn Commercial Paper programme. Alternatively, and in addition, TfL has direct access to reliable funding from the Public Works Loan Board and has an arranged, uncommitted, £0.2bn overdraft facility. Funding facilities are not subject to financial covenants. TfL can also secure financing from financial institutions and has a committed undrawn facility with the Export Development Canada which it will likely utilise over the course of the next financial year.

Debt maturities are diversified over short-, medium- and long-term horizons that broadly equate to the lives of the assets that were funded by this source. This ensures refinancing risk is minimised. The contractual maturities of the Group and Corporation's borrowing and other financial liabilities are listed later in this note.

In response to the funding pressures we have experienced post 31 March 2020 as a result of the coronavirus pandemic, we have secured an extraordinary funding and financing package from the Secretary of State for Transport that gives TfL secure access to £1.6bn of funding in the form of a mixture of Government grant and borrowing from the PWLB for an initial Support Period until 17 October 2020. At that point in time, as the longer-term impact of the coronavirus outbreak becomes clearer, a further, medium-term funding package will be put in place.

Due to the active liquidity management and mitigations outlined, there is no significant risk that TfL will be unable to fund its planned financial commitments.

35. Funding and financial risk management (continued)

Maturity profile of derivatives

The Group's foreign currency derivatives have the following maturities:

At 31 March	2020 Average exchange rate	2020 Fair value £m	2020 Notional amount £m	2019 Average exchange rate	2019 Fair value £m	2019 Notional amount £m
Foreign currency forward contracts						
Buy euro						
Less than one year	**0.898**	**(0.7)**	**54.3**	0.862	0.1	102.1
Between one and two years	**0.916**	**(2.2)**	**97.6**	0.893	(0.3)	20.2
Between two and five years	**0.950**	**(5.4)**	**154.1**	0.912	(0.7)	37.4
After five years	**0.970**	**(1.9)**	**43.6**	-	-	-
Sell euro						
Less than one year	**0.853**	**(23.1)**	**614.2**	0.870	2.8	340.0
Total euro	**0.883**	**(33.3)**	**963.8**	0.880	1.9	499.7
Buy Canadian Dollars						
Less than one year	**0.542**	**1.8**	**38.4**	0.518	3.3	31.6
Between one and two years	**0.550**	**0.7**	**23.6**	0.515	2.5	24.4
Between two and five years	**0.590**	**-**	**0.3**	0.513	1.2	12.5
Total Canadian Dollars	**0.545**	**2.5**	**62.3**	0.516	7.0	68.5

At 31 March	2020 Average exchange rate	2020 Fair value £m	2020 Notional amount £m	2019 Average exchange rate	2019 Fair value £m	2019 Notional amount £m
Foreign currency forward contracts						
Buy Swiss Francs						
Less than one year	**0.864**	**-**	**0.9**	0.851	-	0.5
Between one and two years	**0.878**	**(0.1)**	**1.0**	0.864	(0.1)	0.9
Between two and five years	**0.899**	**-**	**0.4**	0.885	(0.1)	1.4
Total Swiss Francs	**0.877**	**(0.1)**	**2.3**	0.872	(0.2)	2.8
Buy Swedish Krona						
Less than one year	**0.093**	**(1.0)**	**7.6**	0.093	(0.4)	3.6
Between one and two years	**0.093**	**(1.1)**	**8.7**	0.093	(0.7)	7.6
Between two and five years	**0.094**	**(0.8)**	**6.2**	0.093	(1.4)	14.9
Total Swedish Krona	**0.093**	**(2.9)**	**22.5**	0.093	(2.5)	26.1
Buy Chinese Yuan Renminbi						
Less than one year	**0.104**	**0.8**	**9.8**	0.106	0.6	9.1
Between one and two years	**0.100**	**0.1**	**0.8**	0.104	0.3	3.8
Between two and five years	**-**	**-**	**-**	0.100	-	0.4
Sell Chinese Yuan Renminbi						
Less than one year	**0.104**	**(0.4)**	**3.8**	0.106	(0.5)	6.5
Between one and two years	**0.100**	**-**	**0.4**	0.101	-	0.4
Total Chinese Yuan Renminbi	**0.104**	**0.5**	**14.8**	0.105	0.4	20.2
Grand total	**n/a**	**(33.3)**	**1,065.7**	n/a	6.6	617.3

At 31 March 2019 the Group held foreign currency call options which were out of the money and as such would not be exercised. The fair value of the foreign currency call options was a net asset of £4.0m. However, as no future cashflows were expected to arise these derivatives were excluded from the maturity table.

35. Funding and financial risk management (continued)

Maturity profile of derivatives (continued)

The Group's foreign currency derivatives have the following maturities:

At 31 March	2020 Average contracted fixed interest rate (%)	2020 Fair value £m	2020 Notional amount £m	2019 Average exchange rate	2019 Fair value £m	2019 Notional amount £m
Interest rate hedges						
Less than one year	**3.548**	**(0.2)**	**25.0**	3.849	(1.1)	150.0
Between one and two years	**3.837**	**(3.6)**	**75.0**	3.548	(0.9)	25.0
Between two and five years	**4.325**	**(13.1)**	**125.0**	4.142	(20.7)	200.0
After five years	**2.306**	**(34.3)**	**208.6**	2.293	(18.8)	205.9
Total	**3.224**	**(51.2)**	**433.6**	3.385	(41.5)	580.9

TfL was conferred the legal powers to enter into derivatives for the purpose of risk mitigation via qualifying subsidiaries. The Corporation does not itself have the legal powers to enter into derivative transactions. TfL has entered into these contracts for the purpose of risk management and intends to hold these contracts to maturity as hedges against the underlying transactions.

The following tables detail the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves at the end of the reporting period.

	Less than one year £m	Between one and two years £m	Between two and five years £m	More than five years £m	Total £m
Group – at 31 March 2020					
Derivatives settled gross					
Foreign exchange forward contracts:					
Amounts receivable	**721.8**	**128.7**	**154.8**	**41.7**	**1,047.0**
Amounts payable	**(744.4)**	**(131.3)**	**(161.0)**	**(43.6)**	**(1,080.3)**
Derivatives settled net					
Interest rate swaps	**(11.4)**	**(10.6)**	**(16.4)**	**(15.8)**	**(54.2)**
	(34.0)	**(13.2)**	**(22.6)**	**(17.7)**	**(87.5)**
Group – at 31 March 2019					
Derivatives settled gross					
Foreign exchange forward contracts:					
Amounts receivable	302.8	58.0	65.7	-	426.5
Amounts payable	(296.8)	(56.5)	(66.6)	-	(419.9)
Derivatives settled net					
Interest rate swaps	(11.7)	(9.1)	(15.1)	(4.7)	(40.6)
	(5.7)	(7.6)	(16.0)	(4.7)	(34.0)

The total asset or liability due to the Group as recognised on the Balance Sheet is the fair value of the derivatives, as this represents the cost to terminate. As such, it differs from the total net contractual payments shown in the table above. At 31 March 2020, the fair value of the interest rate derivatives was a net liability of £51.2m (2019 a net liability of £41.5m). The fair value of forward exchange derivatives was a net liability of £33.3m (2019 a net asset of £6.6m). At 31 March 2019, the Group also held foreign currency call options. These were out of the money and, as such, were not expected to be exercised. The fair value of these call options at 31 March 2019 was a net asset of £4.0m; however as no future cashflows were expected to arise these derivatives were excluded from the maturity table. The Group had no outstanding foreign currency call options as at 31 March 2020.

35. Funding and financial risk management (continued)

Contractual maturity of financial liabilities

The following table details the Group and the Corporation's remaining contractual maturity for their non derivative financial liabilities. The table has been drawn up on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group or Corporation can be required to pay and, therefore differs from the carrying value and the fair value. The table includes both interest and principal cash flows.

	Less than one year £m	Between one and two years £m	Between two and five years £m	More than five years £m	Total £m
Group - as at 31 March 2020					
Trade and other creditors	**1,695.1**	**12.6**	**-**	**-**	**1,707.7**
Borrowings - principal	**938.5**	**360.2**	**964.6**	**9456.2**	**11,719.5**
Borrowings - interest	**401.7**	**390.7**	**1103.5**	**5675.9**	**7,571.8**
Right-of-use lease liabilities	**352.0**	**322.2**	**583.4**	**1,880.9**	**3,138.5**
PFI lease liabilities	**19.4**	**14.8**	**52.2**	**67.8**	**154.2**
Other financing liabilities	**6.9**	**12.7**	**38.2**	**101.9**	**159.7**
	3,413.6	**1,113.2**	**2,741.9**	**17,182.7**	**24,451.4**
Group - as at 31 March 2019					
Trade and other creditors	1,698.2	11.0	-	-	1,709.2
Borrowings - principal	746.9	113.5	952.1	9,362.8	11,175.3
Borrowings - interest	478.6	389.9	1,043.0	6,024.8	7,936.3
PFI lease liabilities	62.9	19.3	48.2	86.7	217.1
Other finance lease liabilities	33.6	33.8	101.5	177.4	346.3
Other financing liabilities	-	6.9	38.2	114.6	159.7
	3,020.2	574.4	2,183.0	15,766.3	21,543.9

	Less than one year £m	Between one and two years £m	Between two and five years £m	More than five years £m	Total £m
Corporation - as at 31 March 2020					
Trade and other payables	**710.4**	**-**	**-**	**-**	**710.4**
Borrowings - principal	**938.5**	**360.2**	**964.6**	**9,456.2**	**11,719.5**
Borrowings - interest	**401.7**	**390.7**	**1,103.50**	**5,675.9**	**7,571.8**
Right-of-use lease liabilities	**37.3**	**37.2**	**104.5**	**373.5**	**552.5**
PFI lease liabilities	**14.2**	**14.4**	**52.1**	**67.8**	**148.5**
	2,102.1	**802.5**	**2,224.7**	**15,573.4**	**20,702.7**
Corporation - as at 31 March 2019					
Trade and other payables	512.1	-	-	-	512.1
Borrowings - principal	746.9	113.5	952.1	9,362.8	11,175.3
Borrowings - interest	478.6	389.9	1,043.0	6,024.8	7,936.3
PFI lease liabilities	16.7	14.2	47.7	86.8	165.4
	1,754.3	517.6	2,042.8	15,474.4	19,789.1

35. Funding and financial risk management (continued)

Fair values

In accordance with IFRS 13, the fair values of the financial assets and liabilities are calculated as the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The following methods and assumptions were used to estimate the fair values:

- Cash and cash equivalents – approximates to the carrying amount
- Short-term investments – approximates to the carrying amount because of the short maturity of these instruments
- Long-term investments – by reference to bid prices at the close of business on the balance sheet date, within Level 1 of the fair value hierarchy as defined within IFRS 13
- Trade and other debtors - approximates to the carrying amount
- Derivative financial instruments – In the absence of quoted market prices, derivatives are valued by using quoted forward prices for the underlying commodity/currency and discounted using quoted interest rates (both as at the close of business on the balance sheet date). Hence, derivatives are within Level 2 of the fair value hierarchy as defined within IFRS 13:

  1. Forward exchange contracts – based on market data and exchange rates at the balance sheet date
  2. Interest rate swaps and forward starting interest rate swaps – based on the net present value of discounted cash flows

- Trade and other creditors - approximates to the carrying amount
- Long-term borrowings – determined by calculating the discounted value of the future cash flows (redemption and interest) using appropriate discount rates, based on observable market data, in effect at the balance sheet date at Level 2 of the fair value hierarchy. Fair value approximates to the carrying amount in the case of short-term commercial paper
- Finance lease liabilities – approximates to the carrying amount
- Other financing liabilities – approximates to the carrying amount

The fair values of the Group's financial assets and liabilities together with the carrying amounts recorded in the Balance Sheets are illustrated below:

At 31 March	2020 Carrying value £m	2020 Fair value £m	2019 Carrying value £m	2019 Fair value £m
Cash and cash equivalents	1,566.8	1,566.8	1,665.8	1,665.8
Short-term investments	642.4	642.4	215.9	215.9
Trade and other debtors	444.1	444.1	650.2	650.2
Finance lease receivables	52.7	52.7	52.2	52.2
Derivative financial instruments	4.9	4.9	18.6	18.6
Total financial assets	2,710.9	2,710.9	2,602.7	2,602.7
Trade and other creditors	(1,707.7)	(1,707.7)	(1,709.2)	(1,709.2)
Borrowings	(11,689.0)	(15,669.7)	(11,144.6)	(15,367.7)
Right-of-use lease liabilities	(2,417.0)	(2,417.0)	-	-
PFI lease liabilities	(125.5)	(125.5)	(179.7)	(179.7)
Other finance lease liabilities	-	-	(238.8)	(238.8)
Other financing liabilities	(136.0)	(136.0)	(132.7)	(132.7)
Derivative financial instruments	(89.4)	(89.4)	(49.5)	(49.5)
Total financial liabilities	(16,164.6)	(20,145.3)	(13,454.5)	(17,677.6)
Net financial liabilities	(13,453.7)	(17,434.4)	(10,851.8)	(15,074.9)

Notes to the Financial Statements

35. Funding and financial risk management (continued)

The fair values of financial assets and liabilities of the Corporation determined in accordance with IFRS 13, together with the carrying amounts recorded in the Balance Sheet are:

At 31 March	2020 Carrying value £m	2020 Fair value £m	2019 Carrying value £m	2019 Fair value £m
Cash and cash equivalents	1,410.7	1,410.7	1,504.6	1,504.6
Short-term investments	623.5	623.5	203.0	203.0
Trade and other debtors	11,677.2	11,677.2	11,108.1	11,108.1
Total financial assets	13,711.4	13,711.4	12,815.7	12,815.7
Trade and other creditors	(710.4)	(710.4)	(512.1)	(512.1)
Borrowings	(11,694.0)	(15,669.7)	(11,150.4)	(15,367.7)
Right-of-use lease liabilities	(439.3)	(439.3)	-	-
PFI lease liabilities	(120.2)	(120.2)	(131.3)	(131.3)
Total financial liabilities	(12,963.9)	(16,939.6)	(11,793.8)	(16,011.1)
Net financial assets/(liabilities)	747.5	(3,228.2)	1,021.9	(3,195.4)

Notes to the Financial Statements
36. Pensions

The majority of the Group's staff were members of the Public Sector Section of the TfL Pension Fund. The majority of the Group's remaining staff were members of London Pension Fund Authority Pension Fund, the Principal Civil Service Pension Scheme, the Crossrail Shared Cost Section of the Railways Pension Scheme (Crossrail Section) or the Tube Lines defined contribution scheme.

a) Amount included in net cost of services

For the year ended 31 March	Note	Group 2020 £m	Group 2019 £m	Corporation 2020 £m	Corporation 2019 £m
TfL Pension Fund		**581.3**	605.4	**371.9**	369.1
Local Government Pension Fund		**2.3**	2.0	**2.3**	2.0
Crossrail Section of the Railways Pension Scheme		**3.5**	4.2	**-**	-
Unfunded schemes provision		**6.5**	9.6	**5.2**	6.2
Total for schemes accounted for as defined benefit		**593.6**	621.2	**379.4**	377.3
Principal Civil Service Pension Scheme		**0.6**	0.5	**0.6**	0.5
Other schemes		**3.8**	3.4	**1.8**	0.8
Amounts included in net cost of services		**598.0**	625.1	**381.8**	378.6
Less: scheme expenses		**(13.4)**	(12.1)	**(13.2)**	(12.0)
Less: Crossrail pension costs capitalised		**(3.5)**	-	**-**	-
Amount included in staff costs	3	**581.1**	613.0	**368.6**	366.6

b) Defined benefit schemes

This section deals with those pension funds to which the Group contributes that are accounted for under IAS 19 as defined benefit schemes.

Public Sector Section of the TfL Pension Fund (TfL Pension Fund)

The TfL Pension Fund is a final salary scheme established under trust. The Fund's Trustee is the TfL Trustee Company Limited, a wholly owned subsidiary of TfL. Under the rules of the Fund, its 18 Trustee Directors are nominated in equal numbers by TfL and on behalf of the Fund's membership.

Every three years, the TfL Pension Fund actuary makes valuations and recommends the level of contributions to be made by the participating employers to ensure the long-term solvency of the Fund. The latest available valuation of the Fund was carried out as at 31 March 2018 by the Actuary, a partner of consulting actuaries Willis Towers Watson, using the projected unit method. A revised Schedule of Contributions was agreed between the Trustee and the employers following the formal funding valuation of the Public Sector Section.

Under the valuation report, the deficit of the Fund was £603m as at 31 March 2018. Assets totalled £10,321m and the defined benefit obligation totalled £10,924m. Employer's contributions for the period from 1 April 2019 until 31 March 2020 represented future service contributions at the rate of 26.9 per cent. From 1 April 2020 until 31 March 2026, employer contributions will rise to 33.3 per cent, comprising the future service contributions of 26.9 per cent, plus additional deficit recovery repayments at 6.4 per cent of pensionable pay. Additional contingent payments may be made from 1 April 2020 if the funding position deteriorates. The recovery plan states that the expectation is that the funding shortfall will be eliminated by March 2026.

The underlying assets and defined benefit obligation of the TfL Pension Fund cover a number of Group entities and cannot be readily split between each undertaking. No contractual agreement is in place to allocate the total net obligation between the member entities. Thus, in accordance with IAS 19, the Corporation, as the Scheme sponsor, has recognised the total net defined benefit obligation in its own individual accounts.

A separate valuation of the TfL Pension Fund has been prepared, by actuaries at the XPS Pensions Group, for accounting purposes on an IAS 19 basis as at 31 March 2020. The assumptions used by the actuaries are the best estimates chosen from a range of possible actuarial assumptions, while the present value of the schemes' defined benefit obligation is derived from cash flow projections. Due to the timescale covered, neither the assumptions nor the cash flow projections may necessarily be borne out in practice.

The defined benefit obligation for the TfL Pension Fund has been calculated using the mortality assumptions adopted for the latest available funding valuation as at 31 March 2018. Standard mortality tables were used, adjusted to reflect the recent mortality experience of the Fund's pensioners at that date. An allowance was made for future mortality improvements based on the CMI 2019 projections with a long-term improvement rate of 1.25 per cent per annum.

The discounted scheme liabilities have an average duration of 18 years.

The London Pension Fund Authority Pension Fund (Local Government Pension Fund)

The London Pension Authority Pension Fund is a funded multi-employer defined benefit scheme, administered by the London Pension Fund Authority. The Corporation is able to identify its share of the assets and defined benefit obligation of the scheme and this scheme has therefore been accounted for as a defined benefit scheme under IAS 19. Employer's contributions were payable at the rate of 15.9 per cent for 2019/20 (2018/19 15.9 per cent) of pensionable pay, plus a lump sum deficit reduction payment of £1.2m (2018/19 £1.2m). The Corporation's share of the underlying assets and defined benefit

36. Pensions (continued)

obligation resulted in an IAS 19 deficit as at 31 March 2020 of £40.7m (2019 £45.6m). The discounted scheme liabilities have an average duration of 21 years.

The last full actuarial valuation available was carried out at 31 March 2016. The annual report and financial statements for the whole scheme can be found on the London Pension Fund Authority's website (www.lpfa.org.uk). A separate valuation as at 31 March 2020 has been prepared for accounting purposes on an IAS 19 basis by Barnett Waddington LLP.

Crossrail Shared Cost Section of the Railways Pension Scheme (Crossrail Section)

Crossrail Limited (CRL) participates in the Crossrail Section of the Railways Pension Scheme which is accounted for in these financial statements as a defined benefit pension scheme under IAS 19.

A full actuarial valuation of the Scheme was carried out at 31 December 2016. The report showed a funding surplus of £5.9m. This was translated into a continuing current employer contribution level of 20.9 per cent. A separate valuation has been prepared for accounting purposes on an IAS 19 basis as at 31 March 2020 by actuaries at the XPS Pensions Group. The Group's share of the underlying assets and defined benefit obligation resulted in a deficit, as at 31 March 2020, of £18.3m (2019 £29.9m). The discounted Crossrail Section liabilities have a duration of approximately 21 years.

The defined benefit obligation for the Crossrail Section has been calculated using the mortality assumptions adopted for the latest available funding valuation as at 31 December 2016. Standard mortality tables were used, adjusted to reflect the recent mortality experience of the Scheme's pensioners at that date. An allowance was made for future mortality improvements based on the CMI 2019 projections with a long-term improvement rate of 1.25 per cent per annum.

Unfunded pension costs

The Corporation bears the cost of the augmentation of the pensions of certain employees, who retire early under voluntary severance arrangements.

In addition, the Corporation also bears the cost of:

- Ex-gratia payments which are made to certain former employees on retirement in respect of service prior to the establishment of pension funds for those employees
- Supplementary pensions, which are made to certain former employees who retired prior to index linking of pensions
- Pensions of London Regional Transport (LRT) former board members who did not qualify to join the TfL Pension Fund
- Other unfunded defined benefit pensions accruing to certain employees

XPS Pensions Group, consulting actuaries, were instructed to report on the financial position of the unfunded pension defined benefit obligation as at 31 March 2020 for the purpose of IAS 19 only. The report does not constitute a formal actuarial valuation of the unfunded pension defined benefit obligation. The valuation as at 31 March 2020 was £99.9m (2019 £105.7m), and is fully provided for in these financial statements.

Assumptions for defined benefit sections

The main actuarial assumptions used for the TfL Pension Fund, the Crossrail Shared Cost Section of the Railways Pension Scheme, the Local Government Pension Scheme (together 'the Schemes') and unfunded schemes were:

	IAS 19 valuation at 31 March 2020 %	IAS 19 valuation at 31 March 2019 %
RPI Inflation	**2.35-2.70**	3.15-3.40
CPI Inflation	**1.45-1.90**	2.15-2.40
Rate of increase in salaries	**2.35-2.90**	3.15-3.90
Rate of increase in pensions in payment and deferred pensions	**1.45-2.40**	2.03-3.15
Discount rate	**2.30-2.35**	2.35-2.40

The Group's retirement benefit plans typically expose the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk. Sensitivity analyses for the most significant actuarial assumptions made in relation to these risks are as set out below. The analyses have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

- If the discount rate were 0.1 per cent higher/(lower), the defined benefit obligation would decrease by £279.6m/(increase by £288.1m)
- If the expected salary growth were increased/(decreased) by 0.1 per cent, the defined benefit obligation would increase by £77.0m/(decrease by £75.9m)
- If life expectancy were increased/(decreased) by one year, the defined benefit obligation would increase by £467.2m/(decrease by £467.2m)
- If the inflation rate were 0.1 per cent higher/(lower), the defined benefit obligation would increase by £276.6m/(decrease by £269.1m)

The sensitivity analyses presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Notes to the Financial Statements
36. Pensions (continued)

c) Accounting for defined benefit schemes

The total assets in the schemes were:

At 31 March	Value 2020 £m	Value 2019 £m
Equities and alternatives	**7,949.0**	8,098.4
Bonds	**2,527.5**	2,435.7
Cash and other	**163.3**	467.2
Total fair value of assets	**10,639.8**	11,001.3

The TfL Pension Fund, the Crossrail Shared Cost Section of the Railways Pension Scheme and the Local Government Pension Scheme assets consist of the following categories, by proportion of the total assets held:

At 31 March	2020 %	2019 %
Equities	**75**	74
Bonds	**24**	22
Cash and other assets	**1**	4
	100	100

The unfunded pension schemes have no assets to cover their defined benefit obligation.

Total pension deficit at 31 March

Group	2020 £m	2019 £m
Fair value of scheme assets	**10,639.8**	11,001.3
Actuarial valuation of defined benefit obligation	**(14,740.4)**	(16,371.9)
Deficit recognised as a liability in the balance sheet	**(4,100.6)**	(5,370.6)

Group	2020 £m	2019 £m
TfL Pension Fund	**(3,941.7)**	(5,189.4)
Local Government Pension Fund	**(40.7)**	(45.6)
Crossrail Section of the Railways Pension Scheme	**(18.3)**	(29.9)
Unfunded schemes provision	**(99.9)**	(105.7)
Deficit recognised as a liability in the balance sheet	**(4,100.6)**	(5,370.6)

Corporation	2020 £m	2019 £m
Fair value of scheme assets	**10,563.3**	10,927.0
Actuarial valuation of defined benefit obligation	**(14,645.6)**	(16,267.7)
Deficit recognised as a liability in the balance sheet	**(4,082.3)**	(5,340.7)

Corporation	2020 £m	2019 £m
TfL Pension Fund	**(3,941.7)**	(5,189.4)
Local Government Pension Fund	**(40.7)**	(45.6)
Unfunded schemes provision	**(99.9)**	(105.7)
Deficit recognised as a liability in the balance sheet	**(4,082.3)**	(5,340.7)

Notes to the Financial Statements
36. Pensions (continued)

Analysis of amounts included in the Comprehensive Income and Expenditure Statement
Analysis of amounts charged to net cost of services

Year ended 31 March	Group 2020 £m	Group 2019 £m	Corporation 2020 £m	Corporation 2019 £m
Current service cost	573.6	551.6	570.3	547.5
Less contributions paid by subsidiaries	-	-	(210.7)	(239.7)
Past service cost	6.6	57.5	6.6	57.5
Total included in staff costs	**580.2**	609.1	**366.2**	365.3
Scheme expenses	13.4	12.1	13.2	12.0
Total amount charged to net cost of services	**593.6**	621.2	**379.4**	377.3

Amounts charged to financing and investment expenditure

Year ended 31 March	Group 2020 £m	Group 2019 £m	Corporation 2020 £m	Corporation 2019 £m
Net interest expense on scheme defined benefit obligation	**122.7**	113.4	**122.0**	112.8

Amount recognised in other comprehensive income and expenditure

Year ended 31 March	Group 2020 £m	Group 2019 £m	Corporation 2020 £m	Corporation 2019 £m
Net remeasurement (gains)/losses recognised in the year	(1,687.9)	336.7	(1,673.7)	335.7

Analysis of scheme defined benefit obligation into amounts arising from schemes that are wholly or partly funded and wholly unfunded

At 31 March	Group 2020 £m	Group 2019 £m	Corporation 2020 £m	Corporation 2019 £m
Wholly unfunded schemes	99.9	105.7	99.9	105.7
Wholly or partly funded schemes	14,640.5	16,266.2	14,545.7	16,162.0
Total scheme defined benefit obligation	**14,740.4**	16,371.9	**14,645.6**	16,267.7

Reconciliation of defined benefit obligation

Reconciliation of defined benefit obligation	Group 2020 £m	Group 2019 £m	Corporation 2020 £m	Corporation 2019 £m
Actuarial value of defined benefit obligation at 1 April	16,371.9	15,087.0	16,267.7	14,991.3
Current service cost	573.6	551.6	570.3	547.5
Interest cost	380.9	373.3	378.4	371.1
Employee contributions	54.2	53.8	53.8	53.3
Remeasurement losses/(gains) on scheme liabilities:				
Net remeasurement - financial	(2,082.0)	733.9	(2,066.5)	729.1
Net remeasurement - experience	(202.4)	266.5	(202.4)	266.5
Net remeasurement - demographic	29.8	(366.8)	29.6	(365.0)
Actual benefit payments	(392.2)	(384.9)	(391.9)	(383.6)
Past service cost	6.6	57.5	6.6	57.5
Actuarial value of defined benefit obligation at 31 March	**14,740.4**	16,371.9	**14,645.6**	16,267.7

Notes to the Financial Statements
36. Pensions (continued)

Reconciliation of fair value of the scheme assets

	Group 2020 £m	Group 2019 £m	Corporation 2020 £m	Corporation 2019 £m
Fair value of assets at 1 April	**11,001.3**	10,379.7	**10,927.0**	10,310.1
Expected return on assets net of expenses	**258.2**	259.9	**256.4**	258.3
Scheme expenses	**(13.4)**	(12.1)	**(13.2)**	(12.0)
Return on assets excluding interest income	**(566.7)**	296.9	**(565.6)**	294.9
Actual employer contributions	**293.0**	402.8	**80.7**	161.1
Contributions paid by subsidiaries	**-**	-	**210.7**	239.7
Employee contributions	**54.2**	53.8	**53.8**	53.3
Actual benefits paid	**(386.8)**	(379.7)	**(386.5)**	(378.4)
Fair value of assets at 31 March	**10,639.8**	11,001.3	**10,563.3**	10,927.0

The expected return on scheme assets is set equal to the discount rate. The actual return on scheme assets in the year was a loss of £308.5m (2018/19 a gain of £556.8m).

Total contributions of £368.1m are expected to be made to the schemes in the year ending 31 March 2021.

d) Other pension arrangements

Principal Civil Service Pension Scheme and Alpha – Civil Servants and Others Pension Scheme
The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme. From 1 April 2015 most PCSPS members switched to the new Civil Servants and Others Pension Scheme, (also known as Alpha). The Group is unable to identify its share of the underlying assets and defined benefit obligations of these schemes on a consistent and reasonable basis and, as permitted by the multi-employer exemption in IAS 19, the Group treats contributions to the PCSPS and Alpha as if they were contributions to a defined contribution plan. A full actuarial valuation was last carried out at 31 March 2016. Details can be found in the Civil Service Superannuation Resource Accounts (www.civilservicepensionscheme.org.uk/).

During 2019/20 employers' contributions represented an average of 27.3 per cent of pensionable pay (2018/19 21.1 per cent). Employer contributions are reviewed every four years. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Docklands Light Railway Pension Scheme
The Docklands Light Railway Pension Scheme (DLR Scheme) is a defined benefit scheme established under trust in the UK that provides both pensions in retirement and death benefits to members. The Trustees are responsible for the operation and governance of the DLR Scheme, including making decisions regarding funding and investment strategy in conjunction with Docklands Light Railway Limited (DLR), a subsidiary of the TfL Group, as the Principal Employer of the Scheme.

Every three years the Scheme Actuary of the DLR Scheme carries out a valuation to assess the funding position and to determine the future levels of contributions. The most recent valuation was effective 1 April 2018. The schedule of contributions agreed following the 1 April 2018 valuation is dated 28 June 2019.

Keolis Amey Docklands Limited (KAD) was awarded the franchise to operate the Docklands Light Railway from 7 December 2014 and is a Participating Employer in the DLR Scheme. The contributions payable by KAD to the DLR Scheme are set out in the franchise agreement between DLR and KAD dated 17 July 2014. These are to pay 35.7 per cent per annum of Pensionable Salaries into the Scheme, the PPF levy and additional contributions if actual pensionable salary increases exceed RPI + 1.5 per cent per annum.

DLR, as the Principal Employer of the DLR Scheme, is responsible for meeting any further costs towards the cost of accruing benefits and removing the deficit, over and above the contributions payable by KAD, if necessary. Following the completion of the 2018 valuation, it was agreed that DLR

Notes to the Financial Statements
36. Pensions (continued)

would pay 22.6 per cent per annum of Pensionable Salaries towards future benefit accrual from 1 April 2018, plus additional contributions towards the deficit of £0.8m per annum, with the first instalment paid on or before 31 July 2019 and the remaining instalments due on or before each 10 April from 2020 to 2024 inclusive. In addition, it was agreed that DLR would pay additional contributions if actual Pensionable Salary growth exceeds RPI inflation + 0.5 per cent per annum (up to RPI inflation + 1.5 per cent per annum).

Over the year beginning 1 April 2020 the contributions payable to the DLR Scheme are expected to be around £5.5m from KAD and £4.3m from DLR, based on the schedule of contributions currently in force. This makes no allowance for additional contributions that may arise if Pensionable Salary growth exceeds RPI inflation + 0.5 per cent per annum.

A valuation of the DLR Scheme has been prepared for accounting purposes on an IAS 19 basis as at 31 March 2020. The assumptions used by the actuary are best estimates chosen from a range of possible actuarial assumptions, while the present value of the DLR Scheme's defined benefit obligation is based on future cash flow projections. Neither the assumptions nor the cash flow projections may necessarily be borne out in practice.

The discounted DLR Scheme liabilities have a duration of approximately 20 years.

The scheme's funding arrangements outlined above mean that DLR is currently unable to identify its share of this obligation on a consistent and reasonable basis. The Group has therefore taken the exemption permitted under IAS 19 for multi-employer schemes and treats contributions to the DLR Scheme as if they were contributions to a defined contribution plan. No defined benefit obligation has been recognised in the balance sheet in respect of this scheme.

Contributions totalling £2.2m were paid by DLR in 2019/20, with an additional £5.9m being paid by KAD (2018/19 £3.0m paid by DLR and £6.6m by KAD).

Defined contribution schemes

The Group contributes to a number of defined contribution schemes, with total contributions, including contributions to the DLR, PCSPS and Alpha schemes as outlined in the paragraphs above, amounting to £7.4m (2018/19 £3.9m).

Notes to the Financial Statements

37. Cash flow notes

a) Adjustments to net surplus for non-cash movements

Year ended 31 March	Group 2020 £m	Group 2019 £m	Corporation 2020 £m	Corporation 2019 £m
Depreciation of property, plant and equipment and amortisation of intangibles	**1,404.1**	1,064.4	**176.1**	156.6
Loss on disposal of property, plant and equipment and intangibles	**30.9**	32.5	**0.3**	7.2
Net gain on sale of investment properties	**(31.7)**	(131.5)	**(22.9)**	(96.5)
Movements in the value of investment properties	**(59.0)**	(4.9)	**3.6**	(1.5)
Reversal of unrealised net losses on retranslation of foreign currency investments	**-**	0.1	**-**	0.1
Reversal of fair value movements on derivatives not in hedging relationships for accounting purposes	**-**	0.3	**-**	-
Financing income	**(18.0)**	(12.4)	**(390.7)**	(372.0)
Financing expense	**519.9**	475.3	**552.6**	522.8
Capital grants received	**(2,231.6)**	(1,184.6)	**(2,145.4)**	(1,076.7)
Capital grants paid to subsidiaries	**-**	-	**566.5**	277.8
Reversal of share of net losses from joint ventures and associated undertakings	**52.1**	94.5	**-**	-
Reversal of defined benefit pension service costs	**593.6**	621.2	**379.4**	377.3
Reversal of tax charge/(credit)	**106.8**	(2.0)	**-**	-
Adjustments to net surplus for non-cash movements before movements in working capital	**367.1**	952.9	**(880.5)**	(204.9)
(Decrease)/increase in creditors	**(47.7)**	84.1	**251.7**	(97.1)
Decrease/(increase) in debtors	**217.2**	(195.3)	**38.0**	279.9
Decrease in inventories	**2.1**	3.2	**-**	-
(Decrease)/increase in provisions	**(136.9)**	(26.8)	**11.4**	(9.2)
Adjustments to net surplus for non-cash movements after movements in working capital	**401.8**	818.1	**(579.4)**	(31.3)
Net cash payments for employers' contributions to defined benefit pension funds and direct payments to pensioners	**(298.4)**	(408.0)	**(86.1)**	(166.3)
Tax (paid)/received	**(0.1)**	2.0	**-**	-
Total adjustments to net surplus for non-cash movements	**103.3**	412.1	**(665.5)**	(197.6)

b) Investing activities

Year ended 31 March	Group 2020 £m	Group 2019 £m	Corporation 2020 £m	Corporation 2019 £m
Interest and other investment income received	**16.8**	12.6	**389.4**	372.4
Capital grants received	**2,216.9**	1,139.2	**2,160.2**	1,036.9
Capital grants paid to subsidiaries	**-**	-	**(566.5)**	(277.8)
Purchase of property, plant and equipment and investment property	**(2,602.2)**	(3,525.9)	**(181.0)**	(293.1)
Purchase of intangible assets	**(21.0)**	(38.0)	**(16.8)**	(29.6)
Proceeds from the sale of property, plant and equipment and intangible assets	**106.2**	796.3	**-**	-
Net (purchases)/sales of other investments	**(400.3)**	476.4	**(420.5)**	466.8
Issue of loans to subsidiaries	**-**	-	**(654.9)**	(917.4)
Repayments of loans to subsidiaries	**-**	-	**-**	454.1
Finance leases granted in year	**(17.9)**	(35.6)	**-**	-
Finance leases repaid in year	**17.5**	9.0	**-**	-
Proceeds from sale of investment property	**56.6**	231.3	**59.6**	87.6
Investment in equity of joint ventures and associated undertakings	**(20.4)**	(9.0)	**-**	-
Investment in share capital of subsidiaries	**-**	-	**(1,240.0)**	(1,560.0)
Net cash flows from investing activities	**(647.8)**	(943.7)	**(470.5)**	(660.1)

Notes to the Financial Statements

37. Cash flow notes (continued)

c) Financing activities

Year ended 31 March	**Group 2020 £m**	Group 2019 £m	**Corporation 2020 £m**	Corporation 2019 £m
Cash payments for reduction of the outstanding liabilities relating to lease and PFI arrangements	**(302.6)**	(69.6)	**(35.7)**	(10.8)
Cash payments for reduction of other financing liabilities	**-**	(8.8)	**-**	-
Net proceeds from new borrowing	**640.9**	924.2	**640.9**	924.2
Repayments of borrowings	**(96.0)**	(196.7)	**(96.0)**	(196.7)
Amounts received/(paid) in respect of derivative options	**0.7**	(4.7)	**-**	-
Interest paid	**(468.7)**	(345.8)	**(514.9)**	(402.8)
Net cash flows from financing activities	**(225.7)**	298.6	**(5.7)**	313.9

38. Unusable reserves

At 31 March	**2020 £m**	2019 £m
Group		
Capital adjustment account	**27,913.6**	26,481.8
Pension reserve	**(4,082.3)**	(5,340.7)
Accumulated absences reserve	**(14.3)**	(10.2)
Retained earnings reserve in subsidiaries	**2,011.9**	1,550.0
Revaluation reserve	**333.6**	345.1
Hedging reserve	**(119.4)**	(105.5)
Cost of hedging reserve	**(4.4)**	(0.7)
Financial instruments adjustment account	**(147.5)**	(159.3)
Merger reserve	**466.1**	466.1
	26,357.3	23,226.6

At 31 March	**2020 £m**	2019 £m
Corporation		
Capital adjustment account	**15,356.1**	13,857.9
Pension reserve	**(4,082.3)**	(5,340.7)
Accumulated absences reserve	**(14.3)**	(10.2)
Revaluation reserve	**27.7**	19.8
Financial instruments adjustment account	**(147.5)**	(159.3)
	11,139.7	8,367.5

Notes to the Financial Statements

38. Unusable reserves (continued)

Capital adjustment account

The capital adjustment account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by TfL as finance for the costs of acquisition, construction and enhancement. The account also contains accumulated gains and losses on investment properties.

	Note	**Group 2020 £m**	Group 2019 £m	**Corporation 2020 £m**	Corporation 2019 £m
Balance at 1 April		**26,481.8**	25,812.6	**13,857.9**	12,434.6
Charges for depreciation and impairment of non-current assets		**(176.1)**	(156.6)	**(176.1)**	(156.6)
Gain on disposal of investment properties		**22.9**	96.5	**22.9**	96.5
Transfer from revaluation reserve of historic revaluation gains on office properties transferred to investment properties during the year		**3.2**	-	**3.2**	-
Movements in the market value of investment properties recognised in the surplus on the provision of services after tax		**(3.6)**	1.5	**(3.6)**	1.5
Movements in the market value of investment properties recognised directly in other comprehensive income		**16.8**	-	**16.8**	-
Capital grants and contributions	10	**2,231.6**	1,856.1	**1,578.9**	1,470.4
Transfer from street works reserve		**0.3**	-	**0.3**	
Transfer of capital grant funding from retained earnings reserve in subsidiaries		**1.0**	-	**-**	-
Minimum revenue provision		**56.1**	18.7	**56.1**	18.7
Loss on disposal of property, plant and equipment		**(0.3)**	(7.2)	**(0.3)**	(7.2)
Adjustments between Group and Corporation financial statements		**(720.1)**	(1,139.8)	**-**	-
Balance at 31 March		**27,913.6**	26,481.8	**15,356.1**	13,857.9

The adjustment between the Group financial statements and the Corporation financial statements arises due to an alignment of the accounting policies between the Group and its subsidiaries. Under the Code, capital grants are recognised in the Comprehensive Income and Expenditure Statement and are then transferred to the Capital Adjustment Account (CAA) when utilised. No amortisation of grants or disposal of grants is recognised in the Comprehensive Income and Expenditure Statement. TfL's subsidiary companies account under full EU-adopted IFRS (rather than the Code) and are required to recognise deferred capital grants on the balance sheet and recognise grant amortisation in arriving at their retained earnings. An accounting policy alignment is performed on consolidation to recognise the grant receipts in the Comprehensive Income and Expenditure Statement (from where they are then transferred to the CAA). Equally, the amortisation and grant disposals are removed from the Comprehensive Income and Expenditure Statement and are shown in the CAA so that the total CAA adjustment is equal to the deferred capital grant carried in the subsidiaries' books.

Pension reserve

The pension reserve represents pension and other post-retirement defined benefit obligations shown on the Balance Sheet, excluding those reflected on the balance sheets of the subsidiary companies. The pension reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Group and Corporation account for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the defined benefit obligations recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Group and Corporation make employer's contributions to pension funds or eventually pay any pensions for which they are directly responsible. The debit balance on the pension reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources that have been set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

Notes to the Financial Statements
38. Unusable reserves (continued)

Pension reserve (continued)

	Group 2020 £m	Group 2019 £m	Corporation 2020 £m	Corporation 2019 £m
Balance at 1 April	**(5,340.7)**	(4,681.2)	**(5,340.7)**	(4,681.2)
Net remeasurement gains/(losses) on pension assets and defined benefit obligations	**1,673.7**	(335.7)	**1,673.7**	(335.7)
Reversal of charges relating to retirement benefits	**(712.1)**	(729.8)	**(501.4)**	(490.1)
Employer's pension contributions, contributions from subsidiaries and direct payments to pensioners payable in the year	**296.8**	406.0	**86.1**	166.3
Balance at 31 March	**(4,082.3)**	(5,340.7)	**(4,082.3)**	(5,340.7)

Accumulated absences reserve

The accumulated absences reserve absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, for example annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the reserve.

	Group 2020 £m	Group 2019 £m	Corporation 2020 £m	Corporation 2019 £m
Balance at 1 April	**(10.2)**	(7.5)	**(10.2)**	(7.5)
Settlement or cancellation of accrual made at the end of the preceding year	**10.2**	7.5	**10.2**	7.5
Amounts accrued at the end of the current year	**(14.3)**	(10.2)	**(14.3)**	(10.2)
Balance at 31 March	**(14.3)**	(10.2)	**(14.3)**	(10.2)

Retained earnings reserve in subsidiaries

The retained earnings reserve in subsidiaries represents the retained earnings in the Group's subsidiary companies. These are disclosed as unusable reserves as unless and until they are paid up in dividends to the Corporation, they are not available to fund the expenditure of the Corporation.

	Group 2020 £m	Group 2019 £m
Balance at 1 April	**1,550.0**	1,066.1
Deficit on the provision of services after tax in subsidiaries	**(376.6)**	(286.7)
Surplus on valuation of newly created investment properties (net of tax)	**722.7**	-
Transfer of current year capital grants and contributions to the Capital Adjustment Account	**(652.7)**	(385.7)
Transfer of capital grants brought forward to the Capital Adjustment Account	**(1.0)**	-
Transfer of adjustments between Group and Corporation financial statements to the Capital Adjustment Account	**720.1**	1,139.8
Adjustment to reserves for the implementation of IFRS 16 (see note 45)	**(2.5)**	-
Remeasurement gains/(losses) on defined benefit pension plan assets and liabilities	**14.2**	(1.0)
Release of revaluation reserve relating to the difference between fair value depreciation and historic cost depreciation, and to historic revaluation gains recognised in respect of properties disposed during the year	**37.7**	17.5
Balance at 31 March	**2,011.9**	1,550.0

Notes to the Financial Statements
38. Unusable reserves (continued)

Revaluation reserve

The revaluation reserve contains the accumulated gains made arising from increases in the value of property, plant and equipment. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation
- Disposed of and the gains are transferred to retained earnings

	Note	**Group 2020 £m**	Group 2019 £m	**Corporation 2020 £m**	Corporation 2019 £m
Balance at 1 April		**345.1**	302.7	**19.8**	-
Revaluation of assets	13	**29.4**	59.9	**11.1**	19.8
Transfer to capital adjustment account of historic revaluation gains on office properties transferred to investment properties during the year		**(3.2)**	-	**(3.2)**	-
Release of revaluation reserve to the retained earnings reserve in subsidiaries relating to the difference between fair value depreciation and historic cost depreciation, and to historic revaluation gains recognised in respect of properties disposed during the year		**(37.7)**	(17.5)	**-**	-
Balance at 31 March		**333.6**	345.1	**27.7**	19.8

Hedging reserve

The hedging reserve holds the gain or loss on a hedging instrument that is determined to be an effective hedge. The ineffective portion, if any, is recognised immediately through the Comprehensive Income and Expenditure Statement. The gain or loss deferred in reserves is recognised in the Comprehensive Income and Expenditure Statement in the period(s) during which the hedged forecast transaction affects profit or loss.

	Group 2020 £m	Group 2019 £m
Balance at 1 April	**(105.5)**	(115.4)
Net change in fair value of cash flow interest rate hedges	**(9.6)**	2.6
Net change in fair value of cash flow foreign exchange hedges	**(13.3)**	(1.3)
Recycling of interest rate fair value losses to profit and loss	**9.0**	8.6
Balance at 31 March	**(119.4)**	(105.5)

The Corporation does not have a hedging reserve as it has not entered into any derivative transactions, nor does it have legal powers to do so.

Notes to the Financial Statements
38. Unusable reserves (continued)

Cost of hedging reserve

The cost of hedging reserve holds the gain or loss on a hedging instrument arising from changes in the fair value of the time value of an option when the intrinsic value of the option has been designated in an effective hedging relationship. The gain or loss deferred in reserves is recognised in the Comprehensive Income and Expenditure Statement in the period(s) during which the hedged forecast transaction affects profit or loss. The ineffective portion, if any, is recognised immediately through the Comprehensive Income and Expenditure Statement.

	Group 2020 £m	Group 2019 £m
Balance at 1 April	**(0.7)**	-
Net change in fair value of cash flow foreign exchange hedges	**(3.9)**	(0.7)
Recycling of cashflow foreign exchange hedge losses to the Balance Sheet	**0.2**	-
Balance at 31 March	**(4.4)**	(0.7)

The Corporation does not have a cost of hedging reserve as it has not entered into any derivative transactions, nor does it have legal powers to do so.

Financial instruments adjustment account

The financial instruments adjustment account provides a balancing mechanism between the different rates at which gains and losses (such as premium on the early repayment of debt) are recognised under the Code and are required by statute to be met from the General Fund.

	Group 2020 £m	Group 2019 £m	**Corporation 2020 £m**	Corporation 2019 £m
Balance at 1 April	**(159.3)**	(171.0)	**(159.3)**	(171.0)
Release of premium	**11.8**	11.7	**11.8**	11.7
Balance at 31 March	**(147.5)**	(159.3)	**(147.5)**	(159.3)

Merger reserve

The merger reserve of £466.1m arose as a result of the transfer of the net assets of London Regional Transport, including the share capital of London Underground Limited (LU), to TfL in 2003. It represents the share capital of LU and was taken as a credit to the merger reserve. The Group has taken advantage of the exemption in IFRS 1 not to restate business combinations occurring prior to the transition date of 1 April 2009.

	Group 2020 £m	Group 2019 £m	**Corporation 2020 £m**	Corporation 2019 £m
Balance at 1 April and 31 March	**466.1**	466.1	**-**	-

Notes to the Financial Statements

39. Adjustments between accounting basis and funding basis under regulations

This note details the adjustments that are made to the total Comprehensive Income and Expenditure Statement recognised by the Corporation in the year in accordance with proper accounting practice in order to determine the resources that are specified by statutory provisions as being available to the Corporation to meet future capital and revenue expenditure. The General Fund reserve represents monies available to finance the day to day activities of TfL.

Corporation

Year ended 31 March 2020	Note	General fund £m	Capital adjustment account £m	Pension reserve £m	Street works reserve £m	Financial instruments adjustment account £m	Accumulated absences reserve £m
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement							
Charges for depreciation, amortisation and impairment of non-current assets	3	176.1	(176.1)	-	-	-	-
Net gain on disposal of investment properties	8	(22.9)	22.9	-	-	-	-
Movements in the market value of investment properties	8	3.6	(3.6)	-	-	-	-
Capital grants and contributions	10	(1,578.9)	1,578.9	-	-	-	-
Loss on disposal of non-current assets	7	0.3	(0.3)	-	-	-	-
Reversal of items relating to retirement benefits		501.4	-	(501.4)	-	-	-
Transfers to/from street works reserve		(3.3)	0.3	-	3.0	-	-
Difference between the remuneration charged on an accruals basis and the remuneration chargeable in accordance with statutory requirements		4.1	-	-	-	-	(4.1)
Inclusion of items not debited or credited to the Comprehensive Income and Expenditure Statement which are required to be charged in accordance with statutory requirements							
Employer's pension contributions and direct payments to pensioners payable in the year		(86.1)	-	86.1	-	-	-
Minimum Revenue provision	41	(56.1)	56.1	-	-	-	-
Amortisation of premium on financing		(11.8)	-	-	-	11.8	-
		(1,073.6)	1,478.2	(415.3)	3.0	11.8	(4.1)

Notes to the Financial Statements
39. Adjustments between accounting basis and funding basis under regulations (continued)

Corporation

Year ended 31 March 2019	Note	General fund £m	Capital adjustment account £m	Pension reserve £m	Street works reserve £m	Financial instruments adjustment account £m	Accumulated absences reserve £m
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement							
Charges for depreciation, amortisation and impairment of non-current assets	3	156.6	(156.6)	-	-	-	-
Net gain on disposal of investment properties	8	(96.5)	96.5	-	-	-	-
Movements in the market value of investment properties	8	(1.5)	1.5	-	-	-	-
Capital grants and contributions	10	(1,470.4)	1,470.4	-	-	-	-
Unapplied capital grants	10	671.5	-	-	-	-	-
Loss on disposal of non-current assets	7	7.2	(7.2)	-	-	-	-
Reversal of items relating to retirement benefits		490.1	-	(490.1)	-	-	-
Transfers to/from street works reserve		(1.1)	-	-	1.1	-	-
Difference between the remuneration charged on an accruals basis and the remuneration chargeable in accordance with statutory requirements		2.7	-	-	-	-	(2.7)
Inclusion of items not debited or credited to the Comprehensive Income and Expenditure Statement which are required to be charged in accordance with statutory requirements							
Employer's pension contributions and direct payments to pensioners payable in the year		(166.3)	-	166.3	-	-	-
Minimum Revenue provision	41	(18.7)	18.7	-	-	-	-
Amortisation of premium on financing		(11.7)	-	-	-	11.7	-
		(438.1)	1,423.3	(323.8)	1.1	11.7	(2.7)

Notes to the Financial Statements

40. Sources of finance

Capital expenditure analysed by source of finance:

Year ended 31 March	Note	Corporation 2020 £m	Corporation 2019 £m
Capital expenditure			
Intangible asset additions	12	**16.8**	29.6
Property, plant and equipment additions	13	**226.4**	239.6
Investment property	15	**2.7**	52.3
Investments in year	16	**1,240.0**	1,560.0
Loans made to subsidiaries in year for capital purposes		**654.9**	917.4
Capital grants allocated to subsidiaries in year	10	**566.5**	277.8
Total capital expenditure		**2,707.3**	3,076.7
Sources of finance			
Business Rates Retention used to fund capital	10	**967.8**	219.1
Community infrastructure levy and other third-party contributions	10	**188.6**	342.6
Crossrail specific grant	10	**989.0**	515.0
Adjusted by amounts transferred from/(to) Capital Grants Unapplied Account	10	**-**	671.5
Prudential borrowing		**544.9**	727.5
Repayment of loans to subsidiaries		**-**	454.1
Capital receipts		**29.0**	150.9
Transfer from street works reserve		**0.3**	1.1
Net repayment of finance leases		**-**	(10.8)
Working capital		**(12.3)**	5.7
Total sources of finance		**2,707.3**	3,076.7

41. Minimum revenue provision

The Local Government and Housing Act 1989 requires a Minimum Revenue Provision (MRP) to be set aside for the redemption of external debt. As a statutory corporation regulated as if it were a local authority, TfL is required to comply with the Local Authorities Capital Finance Regulations. New regulations were approved by the Secretary of State in February 2008. TfL is required to approve an Annual MRP Statement determining the amount of MRP which it considers to be prudent.

The Ministry of Housing, Communities and Local Government issued guidance setting out four possible methods which are deemed automatically prudent, but also states that 'approaches differing from those exemplified should not be ruled out... the broad aim of prudent provision is to ensure that debt is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits.'

While statutory guidance suggests four potential methods for calculating MRP it also allows for other methods and approaches to be used. Since 2016/17 TfL has applied the principles inherent in the statutory guidance on MRP, to make an annual provision in TfL (the Corporation), that aims to build up a reserve on the Balance Sheet over the average useful economic life of the assets funded by borrowings in the Corporation, such that, at the end of that useful economic life, that reserve may be employed to either repay borrowings or to finance replacement capex for those assets that have reached the end of their lives. An MRP is effectively already made for borrowings passed down to the subsidiaries through TfL's existing processes for funding those entities. The MRP provision for 2019/20, shown as a transfer from the General Fund to the Capital Adjustment Account in the Group and Corporation Movement in Reserves Statements, was a total of £56.1m (2018/19 £18.7m).

Notes to the Financial Statements

42. Financial assistance

TfL may give financial assistance to any body or person in respect of expenditure incurred or to be incurred by that body or person in doing anything which, in the opinion of TfL, is conducive to the provision of safe, integrated, efficient and economic transport facilities or services to, from or within Greater London, and also to London Transport Museum Limited.

Financial assistance given under section 159 of the GLA Act 1999 is outlined below:

Year ended 31 March	Corporation 2020 £m	Corporation 2019 £m
Financial assistance to subsidiaries		
Transport Trading Limited	**56.6**	291.6
London Underground Limited	**906.4**	499.0
London Bus Services Limited	**420.5**	596.1
London River Services Limited	**5.0**	20.5
Victoria Coach Station	**0.5**	-
London Buses Limited	**8.2**	5.9
London Transport Museum Limited	**3.1**	3.1
Docklands Light Railway Limited	**42.9**	43.1
Rail for London Limited	**200.3**	327.8
Crossrail Limited	**19.6**	5.5
Tramtrack Croydon Limited	**39.1**	29.7
Rail for London (Infrastructure) Limited	**29.1**	12.9
	1,731.3	1,835.2

Year ended 31 March	Note	Corporation 2020 £m	Corporation 2019 £m
Financial assistance to London Boroughs and other third parties			
Local Implementation Plan		**98.1**	102.6
Crossrail Complementary Measures		**4.3**	3.4
Taxicard		**8.5**	10.1
Cycling		**35.0**	33.2
Bus priority		**10.0**	6.4
Other		**8.3**	6.2
Total financial assistance to London Boroughs and other third parties	3	**164.2**	161.9

43. Related parties

TfL is required by the Code and IAS 24 Related Party Disclosures (IAS 24) to disclose material transactions with related parties. Related parties are entities or individuals who have the potential to control, indirectly control or significantly influence TfL or to be controlled, indirectly controlled or significantly influenced by TfL.

TfL is a statutory corporation established by section 154 of the GLA Act 1999. It is a functional body of the Greater London Authority and is controlled by the Mayor of London. TfL is classified as a government entity in accordance with IAS 24, as it is controlled by the GLA, through the Mayor. The GLA and its other functional bodies are considered to be related parties of TfL and its subsidiaries, as they are all under the control of the Mayor. Other related parties include TfL's Board Members, members of the TfL Executive Committee (including Managing Directors, the Commissioner, the Chief Finance Officer and General Counsel), the Mayor of London and the TfL Pension Fund. In addition, central Government has the potential to influence TfL by providing the statutory framework within which TfL operates and through the provision of funding in the form of grants and borrowing facilities.

Disclosure of related party transactions allows readers to assess the extent to which the Corporation might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with it.

GLA and functional bodies

Details of amounts received from the Business Rates Retention, and the Council Tax precept paid to TfL by the GLA are shown in note 10.

During 2019/20 TfL had the following other transactions with the GLA and functional bodies:

	Total income during the year £m	Total expenditure during the year £m	Outstanding balance at 31 March 2020 £m
GLA	**6.1**	**(2.9)**	**0.7**
Mayor's Office for Policing and Crime (MOPC)	**0.1**	**-**	**-**
London Legacy Development Corporation (LLDC)	**0.5**	**-**	**-**

Notes to the Financial Statements
43. Related parties (continued)

Board Members and Officers

Board Members, the Mayor of London, and key management (including the Commissioner and the TfL Executive Committee), are required to complete a declaration regarding any related party transactions. During the year, none of the Corporation Board, key management personnel or parties related to them have undertaken any transactions with the Corporation or its subsidiaries (2018/19 none). Details of the remuneration of the Commissioner and all employees earning a base salary in excess of £150,000 are disclosed in the Remuneration Report (see note 5).

TfL Pension Fund

The Accounts of the TfL Pension Fund are prepared separately and are subject to a separate audit opinion. Contributions payable to the TfL Pension Fund by TfL as employer are disclosed in note 36.

Central Government

The DfT sets the permitted levels of borrowing for TfL through the spending review process. The most recent funding agreement was dated 27 March 2017 and covered permitted levels of borrowing for the period up to 31 March 2021. In addition to the borrowings set out in this agreement, the DfT made a grant of £150m towards the funding of the Crossrail project in July 2018. In December 2018 the Mayor of London and the Government agreed a further financial package to cover Crossrail overruns. The GLA will borrow up to £1.3bn from the DfT. The GLA will repay this loan from the existing Business Rate Supplement (BRS) and Mayoral Community Infrastructure Levy (MCIL). The GLA will also provide a £100m cash contribution, taking its total contribution to £1.4bn which it will provide as a grant to TfL for the Crossrail project.

Because the final costs of the Crossrail project are yet to be confirmed, a contingency arrangement was also agreed between TfL and the Government. This takes the form of a loan facility from the DfT of up to £750m.

Other public bodies

TfL provides financial assistance to London Boroughs to support Borough schemes that improve the local travelling environment. Financial assistance provided is disclosed in note 42.

TfL receives income from the London Boroughs for the provision of free travel for older and disabled customers, and students. This income is set out in note 1.

TfL has borrowings outstanding from the PWLB and pays interest to PWLB in respect of those borrowings.

TfL makes payments to the British Transport Police for the provision of policing services on the Underground and Overground railways.

TfL makes payments to the Metropolitan Police Service for policing services provided by the Safer Transport Command.

Transactions between the Corporation and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

44. Trust funds

The Corporation acts as the sole trustee for the TfL Healthcare Trust, a trust established for the purpose of providing certain benefits relating to medical treatment for eligible employees of the Group and their family members. The Trust is administered by AXA PPP Healthcare Administration Services Limited, an independent third party. Under the terms of the Trust deed the funds held by the Trust do not represent the assets of the Corporation or its subsidiaries. Hence the Trust has not been consolidated into these financial statements.

	Income £m	Expenditure £m	Assets £m	Liabilities £m
At 31 March 2020				
TfL Healthcare Trust	**4.6**	**(4.1)**	**4.2**	**-**
At 31 March 2019				
TfL Healthcare Trust	4.9	(3.9)	3.1	(0.1)

Notes to the Financial Statements
45. Application of IFRS 16 Leases

As outlined in the Accounting Policies, on adoption of IFRS 16 on 1 April 2019, the Group and Corporation recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the TfL Group's incremental borrowing rate as of 1 April 2019. The weighted average incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 2.43 per cent. The corresponding right-of-use assets were recognised at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to those leases recognised on the Balance Sheet immediately prior to the date of initial application.

For leases previously classified as finance leases the Group and Corporation recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date. Any remeasurements to the lease liabilities were recognised as adjustments to the related right-of-use assets immediately after the date of initial application.

Practical expedient applied

In applying IFRS 16 for the first time, the Group and Corporation have used the following exemptions available in the standard in respect of: lease contracts for which the lease terms ends within 12 months as of the date of initial application; lease contracts for which the underlying asset is of low value; the application of a single discount rate to a portfolio of leases with similar characteristics; exclusion of initial direct costs from the measurement of the right-of-use asset; and use of hindsight, for example, in determining the lease term where the contract contains options to extend or terminate the lease.

Measurement of right-of-use assets

Newly recognised right-of-use assets were measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to those leases recognised on the Balance Sheet as at 31 March 2019.

Measurement of total lease liabilities

	Group £m	Corporation £m
Operating lease commitments disclosed as at 31 March 2019	**1,835.8**	556.4
Less: rail access commitments no longer considered a lease under IFRS 16	**(56.3)**	-
	1,779.5	556.4
Discounted using the TfL Group's incremental borrowing rate at the date of initial application	**1,166.2**	441.5
Effects of:		
Addition of other finance lease liabilities as at 31 March 2019	**238.8**	-
Less: finance lease liabilities adjustment from IFRS 16	**(60.8)**	-
Addition of contracts reassessed as lease contracts	**663.0**	5.7
Exemption for leases with less than 12 months of lease term at 1 April 2019	**(0.3)**	-
Right-of-use lease liability as at 1 April 2019	**2,006.9**	447.2

Notes to the Financial Statements

45. Application of IFRS 16 Leases (continued)

Reconciliation of Summarised Group Balance Sheet as at 1 April 2019

	As previously reported £m	Application of IFRS 16 Leases £m	Restated £m
Assets			
Intangible assets	112.6	-	112.6
Property, plant and equipment	40,815.2	(227.2)	40,588.0
Right-of-use assets	-	1,985.9	1,985.9
Investment property	492.0	-	492.0
Equity accounted investment in associated undertakings	233.5	-	233.5
Derivative financial instruments	18.6	-	18.6
Finance lease receivables	52.2	-	52.2
Debtors	809.6	(14.6)	795.0
Inventories	61.0	-	61.0
Assets held for sale	122.4	-	122.4
Cash and short-term investments	1,881.7	-	1,881.7
	44,598.8	1,744.1	46,342.9

	As previously reported £m	Application of IFRS 16 Leases £m	Restated £m
Liabilities			
Creditors	(2,228.7)	21.5	(2,207.2)
Current tax liability	(0.1)		(0.1)
Borrowings and overdrafts	(11,144.6)	-	(11,144.6)
Right-of-use lease liabilities	-	(2,006.9)	(2,006.9)
Other finance lease liabilities	(238.8)	238.8	-
PFI lease liabilities	(179.7)	-	(179.7)
Other long-term financing liabilities	(132.7)	-	(132.7)
Derivative financial instruments	(49.5)	-	(49.5)
Provisions	(400.5)	-	(400.5)
Retirement benefit obligation	(5,370.6)	-	(5,370.6)
	(19,745.2)	(1,746.6)	(21,491.8)
Net assets	24,853.6	(2.5)	24,851.1
Reserves			
Usable reserves	1,627.0	-	1,627.0
Unusable reserves	23,226.6	(2.5)	23,224.1
Total reserves	24,853.6	(2.5)	24,851.1

Notes to the Financial Statements

45. Application of IFRS 16 Leases (continued)

Reconciliation of Summarised Corporation Balance Sheet as at 1 April 2019

	As previously reported £m	Application of IFRS 16 Leases £m	Restated £m
Assets			
Intangible assets	78.3	-	78.3
Property, plant and equipment	4,047.6	-	4,047.6
Right-of-use assets	-	433.0	433.0
Investment property	6.8	-	6.8
Investments in subsidiaries	10,322.5	-	10,322.5
Debtors	11,134.3	(7.3)	11,127.0
Assets held for sale	23.4	-	23.4
Cash and short-term investments	1,707.6	-	1,707.6
	27,320.5	425.7	27,746.2
Liabilities			
Creditors	(554.4)	21.5	(532.9)
Borrowings and overdrafts	(11,150.4)	-	(11,150.4)
Right-of-use lease liabilities	-	(447.2)	(447.2)
PFI lease liabilities	(131.3)	-	(131.3)
Provisions	(149.2)	-	(149.2)
Retirement benefit obligation	(5,340.7)	-	(5,340.7)
	(17,326.0)	(425.7)	(17,751.7)
Net assets	9,994.5	-	9,994.5
Reserves			
Usable reserves	1,627.0	-	1,627.0
Unusable reserves	8,367.5	-	8,367.5
Total reserves	9,994.5	-	9,994.5

Lessor accounting

Neither the Group nor the Corporation needed to make any adjustments to the accounting for assets held as lessor under finance leases (see note 13) or operating leases (see note 34) as a result of adoption of IFRS 16.

46. Events after the balance sheet date

The impact of the coronavirus pandemic on the Group's operations is discussed in the Narrative Report and Financial Review and in the note on going concern within the accounting policies section of these financial statements.

As at 31 March 2020, the lockdown had started in the UK and TfL had begun to experience a significant reduction in its weekly revenues. As outlined in the going concern section of the Accounting Policies note to these financial statements, we have modelled the severe, but possible, downside scenario for coronavirus and the steps being undertaken to address the risks contained therein. We have agreed an Extraordinary Funding and Financing package with the Secretary of State for Transport to ensure we are able to meet any funding shortfall necessary to enable us to continue providing services.

We have considered the impact of the pandemic and the changes in public transport advice on the values at which income, assets and liabilities have been recorded in these accounts. As at the date of signing of the accounts, TfL continues to provide a near-full level of service.

We will continue to work closely with the DfT and the Mayor of London to determine what further sources of funding will be made available to progress our capital investment programme. Management believe that all capital projects in progress at 31 March 2020 should continue to be funded. However, until a longer-term financing package has been formally agreed, a material level of uncertainty remains as to whether all projects in the course of construction at 31 March 2020 will be fully funded to completion. We consider any possible future impairments of the carrying value of existing assets or assets under construction to be non-adjusting post balance sheet events for the purposes of these financial statements.

Key Elements of TfL's Governance Framework

The CIPFA/SOLACE Delivering Good Governance in Local Government Framework (2016) (the Framework) requires local authorities, which includes TfL, to publish an Annual Governance Statement, and to be responsible for ensuring that:

- its business is conducted in accordance with all relevant laws and regulations;
- public money is safeguarded and properly accounted for; and
- resources are used economically, efficiently and effectively to achieve agreed priorities which benefit local people.

As a functional body of the Greater London Authority (GLA), TfL is a signatory to the GLA Group Framework Agreement, which was updated in 2016. The Agreement is an overarching commitment in relation to the culture and individual behaviours of the GLA Group and contains specific corporate governance commitments. TfL has in place protocols and processes that address all the requirements of the Agreement.

TfL has approved and adopted a Code of Governance (the Code), which is consistent with the Framework and is published online at tfl.gov.uk. The statement explains how TfL complies with the Code and meets the requirements of the Accounts and Audit Regulations 2015 in relation to the publication of a statement on internal control.

TfL's governance framework, has been in place since the year ended 31 March 2001 and remains in place at the date of approval of the 2019/20 Statement of Accounts. The key elements of the Governance Framework are set out below:

Chair, Board, Committees & Panels	The Mayor appoints the Board and is the Chair. The Board provides leadership and determines and agrees TfL's strategic direction and oversees the performance of the executive team to deliver the Mayor's Transport Strategy. The Budget, Business Plan and Capital Strategy set out how the Mayor's Transport Strategy will be delivered and are supported by TfL's Group and individual business area Scorecards. The Board's effectiveness is reviewed annually.
Decision Making	Standing Orders set out TfL's decision-making process and are regularly reviewed. The roles of Members and the executive are clearly defined. The Board, its four Committees and two Panels meet in public and all decisions taken are published. The approval of Financial, Programme & Project, Procurement and Land authority by the Commissioner and Chief Finance Officer is also reported to Committees.
Audit and Assurance Committee	The Committee reviews the effectiveness of the system of internal controls, including the integrated assurance framework and considers fraud and risk management issues. It also reviews the Annual Accounts prior to submission to the Board and TfL's compliance with the UK Corporate Governance Code (where applicable). The Risk and Assurance directorate and External Auditors support the work of the Committee.
Risk Management	TfL has an Enterprise Risk Management System which sets out TfL's strategic risks, supported by local risk registers throughout TfL, which are monitored by the appropriate senior manager. The Audit and Assurance Committee oversees the implementation of the risk management system with individual Committees and Panels reviewing each strategic risk within their remit at least annually. The Executive Committee also regularly reviews all the Strategic Risks.
Scrutiny and review	The Board, Committees and Panels each receive regular quarterly reports on TfL's performance, covering: performance against the Scorecard, Financial performance, Customer and Operational Performance, Safety, Health and Environment and Human Resources. The Audit and Assurance Committee reviews TfL's overall audit and assurance arrangements.
The Commissioner and the Executive Committee	The Commissioner and Executive Committee are responsible for the delivery of day to day operations. The statutory Chief Finance Officer (TfL's s127 GLA Act officer) is responsible for safeguarding TfL's financial position. The postholder reports directly to TfL's Chief Finance Officer and, while not on the Executive Committee, plays an active part in TfL strategic decision-making through involvement in all key decisions with a significant financial implication and has management responsibility to produce the Business Plan and statutory accounts. The General Counsel, along with the Commissioner, is responsible for ensuring legality and promoting good corporate governance and high standards of public conduct. The Director of Risk and Assurance annually comments on the effectiveness of the Code..

Applying the Framework Principles

Principle A:
Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law: TfL's Code of Conduct for members and staff reinforces a public service ethos and high standards of behaviour. It is supported by more detailed guidance, including a Modern Slavery Statement and TfL's Whistleblowing Procedures and guidance on conflicts of interest. The General Counsel and Commissioner have specific responsibilities to ensure that TfL's decisions meet legal requirements. Declarations of interests for Members and the most senior staff are published on tfl.gov.uk and declared at meetings.

Principle B:
Ensuring openness and comprehensive stakeholder engagement: TfL has a transparency strategy and publishes a substantial amount of information. It engages with stakeholders and partners through consultation and its work with London Councils and individual boroughs. It cooperates with appropriate organisations to ensure there is independent scrutiny of its financial and operational reporting processes. Board, Committee and Panel meetings are held in public and TfL has an active social media presence including Facebook, Twitter and YouTube.

Principle C:
Defining outcomes in terms of sustainable economic, social, and environmental benefits. TfL's meets this objective through its delivery of the Mayor's Transport Strategy, supported by its Business Plan and the annual Scorecard process. The Business Plan and Scorecard measures flow through to team and individual staff objectives. The quarterly reports to the Board, Committees and Panels, as well as papers seeking authority for projects, provide commentary on how they support the objective of delivering the Mayor's Transport Strategy.

Principle D:
Determining the intervention necessary to achieve intended outcomes. The Quarterly Performance Report and other key quarterly reports submitted to Committees and Panels track TfL's activities in terms of key performance indicators and delivery of the Mayor's Transport Strategy. These also highlight remedial actions taken where slippage occurs. During the year, TfL has continued to increase its oversight of the Crossrail project, including representation on the Crossrail Limited Board and enhanced reporting to TfL's Board and its Programmes and Investment Committee.

Principle E:
Developing TfL's capacity, including the capability of its leadership and individuals within it: TfL undertakes a wide range of HR activities to develop the capacity of its people. Regular update reports are submitted to the Safety, Sustainability and Human Resources Panel and the Remuneration Committee on this and key initiatives like the leadership programme, succession planning and TfL's graduate and apprenticeship programmes. Members are developed through induction, briefings and site visits.

Principle F:
Managing risks and performance through strong internal control and financial management. TfL's enterprise risk management system sets out TfL's main strategic risks and mitigations, with more detailed risk registers held throughout TfL and reflected in individual staff objectives. The Executive Committee reviews all strategic risks, with reports against each risk also reported to the relevant Committee or Panel at least once annually. The Audit and Assurance Committee maintains overall responsibility for scrutinising TfL's approach to risk and receives reports to each meeting. The Finance Committee scrutinises TfL's financial performance and reports on this to the Board. TfL has also continued to embed the TfL HSE management system and has continuous improvement plans in place to strengthen the maturity of compliance.

Principle G:
Implementing good practices in transparency, reporting and audit to deliver effective accountability. TfL follows the Government Communication Service guidance on providing clear and accurate information. It has a published transparency strategy and has developed both its website and the format of its reports to improve transparency and accessibility. Minutes of meetings, key decisions taken outside of meetings, the registers of Members and the most senior staff's interests and acceptance of gifts and hospitality, along with details of contracts awarded over £5,000 are published on tfl.gov.uk.

Review of Effectiveness

TfL conducts, at least annually, a review of the effectiveness of its governance framework including the system of internal control, which is reported to the Audit and Assurance Committee. There is also an annual Board Effectiveness Review.

TfL has several ways to review the effectiveness of its governance arrangements. The review includes all aspects of TfL's operations including its relationships with its group entities. The Risk and Assurance Annual Report includes the opinion of the Head of Internal Audit on the overall framework of TfL's governance, risk management and internal control in the year. The opinion for the year ending 31 March 2020 concluded that TfL's governance framework was adequate for TfL's business needs and operated in an effective manner. The opinion highlighted work that was in progress to address previously highlighted weaknesses in several audits of governance and financial controls relating to procurement and contract management. These issues are being addressed by the Procurement and Supply Chain team, which has seen significant changes in its management, who are leading a programme of transformation activity aimed at strengthening commercial / procurement controls. These controls will be the subject of further audits in 2020/21.

The Covid-19 pandemic has had a significant impact on TfL's operational activities and its finances. A Governance Improvement Plan will be developed for 2020/21 that reflects this and a review will be conducted with the Department for Transport on TfL's sustainability and financial model going forwards.

Conclusion

TfL is satisfied that appropriate governance arrangements are in place. It recognises that there is always more that can be done and remains committed to maintaining and where possible improving these arrangements. The key ways of doing this are:

- keeping its governance arrangements under continuous review, including through the annual Board Effectiveness Review;
- addressing issues identified by Internal Audit as requiring improvement;
- reviewing and enhancing performance reporting to focus on key risks and areas for improvement; and
- listening to feedback from key stakeholders.

Sadiq Khan
Chair of TfL Board

Andy Byford
Commissioner

TfL Board members 2019/20

The Mayor appoints members for their skills, knowledge and experience relating to TfL's activities. The Board is independent of the executive.

The Chair and Deputy Chair serve until 8 May 2021. All other members were appointed in 2016 and serve until 5 September 2021, except Cllr Julian Bell who joined the Board on 28 February 2020 and will serve until 4 September 2022.

Sadiq Khan
Chair

Heidi Alexander
Deputy Chair

Cllr Julian Bell

Kay Carberry CBE

Professor Greg Clark CBE

Bronwen Handyside

Ron Kalifa OBE

Dr Alice Maynard CBE

Anne McMeel

Dr Mee Ling Ng OBE

Dr Nelson Ogunshakin OBE

Mark Phillips

Dr Nina Skorupska CBE

Dr Lynn Sloman

Ben Story

Membership of TfL committees and panels

Audit and Assurance Committee

Anne McMeel
Chair

Dr Lynn Sloman
Vice Chair

Kay Carberry CBE

Dr Mee Ling Ng OBE

Dr Nelson Ogunshakin OBE

Finance Committee

Ron Kalifa OBE
Chair

Ben Story
Vice Chair

Heidi Alexander

Prof Greg Clark CBE

Anne McMeel

Dr Nina Skorupska CBE

Programmes and Investment Committee

Prof Greg Clark CBE
Chair

Dr Nelson Ogunshakin OBE
Vice Chair

Heidi Alexander

Ron Kalifa OBE

Dr Alice Maynard CBE

Mark Phillips

Dr Nina Skorupska CBE

Dr Lynn Sloman

Ben Story

Remuneration Committee

Ben Story
Chair

Kay Carberry CBE
Vice Chair

Heidi Alexander

Ron Kalifa OBE

Customer Service and Operational Performance Panel

Dr Mee Ling Ng OBE
Chair

Dr Alice Maynard CBE
Vice Chair

Prof Greg Clark CBE

Anne McMeel

Dr Lynn Sloman

Bronwen Handyside

Safety, Sustainability and HR Panel

Kay Carberry CBE
Chair

Dr Nina Skorupska CBE
Vice Chair

Bronwen Handyside

Dr Mee Ling Ng OBE

Mark Phillips

TfL members attendance 2019/20

Member	Board (6*)	Audit and Assurance Committee (4)	Customer Service and Operational Performance Panel (3)	Finance Committee (5)	Programmes and Investment Committee (5)	Remuneration Committee (5)	Safety, Sustainability and Human Resources Panel (4)
Sadiq Khan	6						
Heidi Alexander	6			3	5	5	
Cllr Julian Bell	1						
Kay Carberry CBE	6	3				5	4
Greg Clark CBE	4			2	5		
Bronwen Handyside	6		3				3
Ron Kalifa OBE	5			3	2	4	
Dr Alice Maynard CBE	6		3		5		
Anne McMeel	6	4	2	3			
Dr Mee Ling Ng OBE	6	3	3				4
Dr Nelson Ogunshakin OBE	5	1			2		
Mark Phillips	5				3		3
Dr Nina Skorupska CBE	5			1	4		3
Dr Lynn Sloman	6	3	2		5		
Ben Story	4			3	2	5	

* Includes a virtual meeting of the Board held remotely on 18 March 2020, in lieu of a meeting owing to Coronavirus travel restrictions introduced on 16 March 2020

About Transport for London (TfL)

Part of the Greater London Authority family led by Mayor of London Sadiq Khan, we are the integrated transport authority responsible for delivering the Mayor's aims for transport.

We have a key role in shaping what life is like in London, helping to realise the Mayor's vision for a 'City for All Londoners'. We are committed to creating a fairer, greener, healthier and more prosperous city. The Mayor's Transport Strategy sets a target for 80 per cent of all journeys to be made on foot, by cycle or using public transport by 2041. To make this a reality, we prioritise health and the quality of people's experience in everything we do.

We manage the city's red route strategic roads and, through collaboration with the London boroughs, can help shape the character of all London's streets. These are the places where Londoners travel, work, shop and socialise. Making them places for people to walk, cycle and spend time will reduce car dependency and improve air quality, revitalise town centres, boost businesses and connect communities.

We run most of London's public transport services, including the London Underground, London Buses, the DLR, London Overground, TfL Rail, London Trams, London River Services, London Dial-a-Ride, Victoria Coach Station, Santander Cycles and the Emirates Air Line. The quality and accessibility of these services is fundamental to Londoners' quality of life. By improving and expanding public transport, we can make people's lives easier and increase the appeal of sustainable travel over private car use.

We are moving ahead with many of London's most significant infrastructure projects, using transport to unlock growth. We are working with partners on major projects like Crossrail 2 and the Bakerloo Line Extension that will deliver the new homes and jobs London and the UK need. We are in the final phases of completing the Elizabeth line which, when open, will add 10 per cent to central London's rail capacity.

Supporting the delivery of high-density, mixed-use developments that are planned around active and sustainable travel will ensure that London's growth is good growth. We also use our own land to provide thousands of new affordable homes and our own supply chain creates tens of thousands of jobs and apprenticeships across the country.

We are committed to being an employer that is fully representative of the community we serve, where everyone can realise their potential. Our aim is to be a fully inclusive employer, valuing and celebrating the diversity of our workforce to improve services for all Londoners.

We are constantly working to improve the city for everyone. This means freezing TfL fares so everyone can afford to use public transport, using data and technology to make services intuitive and easy to use, and doing all we can to make streets and transport services accessible to all. We reinvest every penny of our income to continually improve transport networks for the people who use them every day.

None of this would be possible without the support of boroughs, communities and other partners who we work with to improve our services. We all need to pull together to deliver the Mayor's Transport Strategy; by doing so we can create a better city as London grows.

October 2020
tfl.gov.uk

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